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ATIONAL POWER
ND PROSPERITY

By CONRAD GILL, M.A.

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NATIONAL POWER AND PROSPERITY

A STUDY OF THE ECONOMIC CAUSES OF MODERN WARFARE

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NATIONAL POWER AND PROSPERITY

A STUDY OF THE ECONOMIC CAUSES OF MODERN WARFARE

BY

CONRAD GILL, M.A.,

Of King's College, Cambridge, and the University of Leeds; Lecturer in Economic History in the Queen's University, Belfast; formerly Assistant Lecturer in the Victoria University, Manchester

WITH AN INTRODUCTION BY

GEORGE UNWIN, M.A.,

Professor of Economic History in the Victoria University, Manchester

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O gente umana, perchè poni il core
Là 'v' è mestier di consorto divieto?

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PREFACE

THIS essay had its origin in discussions with members of the Workers' Educational Association, at a summer school held in Bangor. The substance of these discussions was expanded into a number of lectures which were given in various parts of England and Ireland, and the lectures have gradually formed themselves into a rather loosely constructed essay. In the present political storm many people are seeking an anchorage for their minds in the study of international relations. My hope in publishing these lectures is that they may help such students to gain clear ideas on a few matters of fundamental importance.

I have kept as far as possible to broad lines of thought, avoiding details and digressions which might tend at the same time to accuracy and to confusion. So, for example, in my brief survey of the Mercantile System no attempt is made to trace the gradual changes in mercantilist doctrines : the decline of the bullionist principle, and the consequent

alteration in the theory of the balance of trade; the first appearance of individualism in the "freeholder" view of society; the striking contrast between the statesmanship of the sixteenth century, which regarded trade as a useful support to war, and that of the eighteenth century, which treated war as a useful support to trade. And I have not touched on the other matters affecting financial policy which do not fall under the heading of Mercantilism.

But I am sensible of the fact that in a brief and generalised statement it is by no means easy to give a sense of the qualifications which exist in the mind of the writer. It is especially difficult to find a short and safe way through questions of political science which are still unsettled. If any reader should find statements which seem to miss the truth through undue directness or any other fault his criticism would be very welcome.

My doubt in this matter is lessened by the service which Professor Unwin has done me in reading the essay in manuscript and correcting many mistakes in emphasis or

interpretation. I wish that he could have found time to write the whole book, for a large part of its contents is based on ideas suggested by him, either in his writings or in conversation. But within the limits of time and space at his disposal Professor Unwin has enhanced the value of the book as far as possible by writing an introduction. It would be hard to exaggerate the extent of my threefold debt to him, for suggestion, criticism, and direct contribution to this work.

INTRODUCTION

THE present crisis is felt by all to be a turning-point in the world's history, and for that reason it is likely to open a new epoch in the study and writing of history. A century ago, in the throes of a similar crisis, a new method of historical study was born which has assumed the name and authority of science; and half a century ago, when the destinies of Europe, if not of civilisation, seemed again to be at stake on the battlefield, this new interpretation of the past was being matured in the hands of scholars who believed with religious intensity that they were making history in their own present and for the future.

A saying of Goethe often quoted by Matthew Arnold, "Man never knows how anthropomorphic he is," might perhaps be slightly altered to meet the case of the historian. The historian never knows how teleological he is. He is always re-interpreting the past so as to make it lead up to a new present.

There is nothing wrong in this as long as he knows what he is about. He is indeed generally

conscious of it, but not adequately or self-critically so. Most histories are national histories, and in conceiving of the end towards which the course of history has been shaping itself, the French historian of the Revolution, or the Prussian historian of the German Empire leaves too little room for the achievement of other peoples, or for the incalculable future of the human race. The weaknesses in this respect of Treitschke and Bernhardi have become familiar of late to thousands of English readers, to whom Bernhardi and Treitschke still represent the whole known world of German historiography; and it will therefore be more profitable to take an English example—an example that is rendered all the more instructive by the political moderation and the entire freedom from chauvinism of the historian who furnishes it.

Speaking of Sir John Seeley's "Expansion of England," Mr. G. P. Gooch, who has done more than any English scholar to further the comparative study of history, says with truth that "Its spirit was by no means that of unrestrained enthusiasm for empire or for the methods by which it was built up. . . . He draws a sharp distinction between the white colonies and India, the possession of which, he declared, increased our responsibilities but not our power. He rejects the notion that the vastness of the Empire proves some invincible

heroism or some supernatural genius for government in our nation."

How was it then that the "Expansion of England" became, to use Mr. Gooch's words, "one of the text-books of Imperialism"? To no small extent this was due to Seeley's sympathetic interpretation of the English temperament. His phrase about conquering half the world in a fit of absence of mind was a stroke of genius. British imperialism bears about the same relation to the imperialism of Treitschke or Bernhardi as the ambition of Macbeth bore to that of Lady Macbeth. Empire is congenial enough to the Englishman's temperament but it is repugnant to his political conscience. In order that he may be reconciled to it, it must seem to be imposed upon him by necessity—as a duty. Fate and metaphysical aid must seem to have crowned him. What he would highly, that would he holily—would not play false and yet would wrongly win. He would have that . . . which he rather fears to do than wishes should be undone. "It does not appear," says Seeley, "that states have always even a right, much less that they are bound to restore gains that may be more or less illgotten. The Norman Conquest was lawless enough, yet it prospered, and prospered permanently; we ourselves own this land of England by inheritance from Saxon pirates."

But this gift of soliloquising on behalf of the national conscience is not the main reason of Seeley's influence as an exponent of British Imperialism. That must be sought in the semi-conscious teleology which I have attributed to historians as a class, and to national historians in particular. The whole argument of several of the earlier chapters of the "Expansion of England" rests on the assumption that the rise, or rather the reconstruction of the British Empire was the central result—the sufficient final cause of the process of world-history in the eighteenth century. Seeley does not know how teleological he is. He thinks he is arguing forwards when he is in reality arguing backwards. "What," he asks, "are the great events during this period? . . . The great events are all of one sort, they are foreign wars." At first sight there appears to be no unity of plan or purpose pervading these wars; but if we look a little closer, we see that they all form part of a great epic struggle between England and France for America and India. In the war of Spanish Succession, for example, we interfered in a Spanish question in which we had no concern and terrified ourselves with a phantom of French ascendancy which had no reality. At its conclusion we ruthlessly abandoned our allies the Catalans whose liberties we had solemnly promised to protect. To a superficial

judgment this might seem "a wicked waste of blood and treasure." But the treaty of Utrecht, by the grant of the Assiento contract, made England the great slave trader of the world. It is true that this concession was of small immediate value and that it was one of the main causes of the South Sea Bubble; true also that the slave trade was a sad blot on the British record and the abolition of it was subsequently claimed as one of the noblest achievements of the British Empire. Still, if we had not acquired the slave trade we could not have abolished it, and in this sense we may consider the mob that cheered the Assiento and howled down the free trade proposals of Bolingbroke as laying the foundations of a free, unaggressive, self-governing Empire, and as paving the way for Wilberforce and Gladstone.

If, however, we follow this mode of reasoning, if we group together as Seeley invites us to do, the war of the Austrian Succession, the Seven Years War and the American War of Independence and regard them "as one great event with a single great object and result," we are interpreting that half-century of the world's history in a way that would seem ludicrously inadequate to the French, German, or American mind, and we are interpreting it from a standpoint which, though readily taken by the patriotic Englishman of 1882, would not have been

taken in 1782, at the close of the period in question even by the patriotic Englishman; and will not be taken in 1982 by Macaulay's New Zealander.

In short Seeley is not only reading history backward, but reading it backward in an entirely inadequate way. As he is preoccupied with a certain result he first indicates from history the class of events that are supposed to lead to that kind of result, and then considers only that aspect of the events which might have contributed to that particular result. "This group of wars considered as one great event with a single great object and result *supplies just the grand feature which the time seems to want.* It is only our own blindness and perversity which lead us to overlook the grandeur of that phase in our history while we fix our eyes upon petty domestic occurrences, parliamentary quarrels, party intrigue, and court gossip."

But what blindness or perversity led Seeley to overlook the grandeur of other phases of eighteenth-century history? "What are the great events during this period?" he asks. "There are no revolutions. . . . There is a change of dynasty . . . but it is accomplished peacefully by Act of Parliament. The great events are all of one sort. They are foreign wars." *There are no revolutions!* Almost at the very moment when these lectures on the Expansion of England were being delivered,

Arnold Toynbee was endeavouring to express his sense of the magnitude of certain " domestic occurrences " of this period by designating them the Industrial Revolution. Within half a century the methods of production in agriculture and in the leading industries had been fundamentally changed, the population had doubled, society had been reconstructed, new large towns were rapidly displacing the country, and in both town and country there was a new proletariat increasingly dependent on poor relief. In 1815 scarcely half of this unprecedented social and economic development was accomplished. The population of Great Britain was again to be doubled, its wealth to be multiplied, and after a generation of suffering and struggle its social well-being to be greatly increased. Iron and steam were to transform its inland communications, and to more than restore by peaceful arts that unrivalled leadership in maritime enterprise which the most victorious of naval wars had sadly impaired. A new credit and a vastly extended commerce were to make London the undisputed centre of the world economy.

The expansion of England beyond the seas by the overflow of a surplus population to the British colonies and to the United States was incidental to this social and economic expansion of England at home, which has transformed the constitution

of the State and immeasurably increased its resources. Why, then, does Seeley in his survey of the leading phases of eighteenth-century history omit all reference to this most momentous development? It is not that he wishes to ignore it. Indeed, we find in his brief preface an acknowledgment of indebtness to "Mr. Cunningham, the author of that most interesting book, 'The Growth of English Industry and Commerce.'" The reason for the omission lies in his view of the province of history. History proper—the scientific study of the causal nexus in human affairs—is the history of policy: that is, of diplomacy and war. Constitutional history may be admitted to a subordinate place because internal politics take sometimes the catastrophic forms of revolution and war, but at other times they degenerate into "a parliamentary wrangle and agitation about liberty," and may be neglected. Commerce, it is true, plays an important part in the history of policy, because since the Reformation it has displaced religion as a motive force in war and diplomacy, but, on the other hand, it is in war and diplomacy that we must seek the causal forces, not only of the growth of commerce, but of all other forms of social and economic expansion.

"I have called attention," he says, "to a series of events: the Spanish Armada, the colonisation

of Virginia and New England, the growth of the English navy and trade, Cromwell's attack on Spain, the naval wars with Holland, the colonial expansion of France and the decline of Holland, the maritime supremacy of England from the Peace of Utrecht, the duel of England and France for the New World. I have shown that these events taken together make up the expansion of England."

If this means anything, it means that the expansion of England was a result achieved by State action through war and diplomacy against the violent opposition of other states, and that the decisive events in that expansion were the defeat of the Spanish Armada, Cromwell's wars with Spain and Holland, and the "duel" between England and France in the eighteenth century. But however admirably calculated such an interpretation of history may be to win the assent of the patriotic imagination, it rests upon no scientific evidence whatever. The expansion of England in the seventeenth century was an expansion of society and not of the State. Society expanded to escape from the pressure of the State; and when the State, in consequence of the duel with France and the conquest of Canada, attempted to follow up the expanding society and to re-establish its pressure, a federation of new states arose to resist the realisation of an Empire which had so

far existed merely for the purposes of rhetoric. In later times another but much looser federation of states has grown up which styles itself for rhetorical purposes an empire, but in which the imperial claim is so much more completely in abeyance, that the state of the parent society has been able to retain the honorary presidency of the federation, and to count upon the spontaneous aid of the other states in times of war.

And as the real expansion has been primarily social, so it has been essentially peaceful. English society has not expanded by the displacement, or even by the exclusion, of Spanish, Dutch, French or German society. The defeat of the Armada, Cromwell's belated anti-Spanish crusade, and the "Jenkins' ear" war, did nothing to prevent the gradual permeation of Mexico and South America by Spanish civilisation, nor is their any reason to think that if Montcalm had defeated Wolfe at Quebec, the swamps of the Mississippi and the prairies of Manitoba would have been reclaimed by French pioneers.

There is nothing new in what I have been saying. The thoughts underlying it were set forth once for all by Adam Smith, and if the contrary view as expressed by Seeley has come to prevail so widely in Greater Britain during the last quarter of a century, it is due to a renewal of the rivalry of

the Great Powers of Europe in world policy which, a generation earlier, not only economists but poets, who are rarely pacifists, were beginning to hope would never happen.

> " O ye, the wise who think, the wise who reign,"

sang Tennyson at the opening of the Exhibition of 1861.

> " From growing commerce loose her latest chain,
> And let the fair, white-winged peacemaker fly
> To happy havens under all the sky.
> And mix the seasons and the golden hours,
> Till each man finds his own in all men's good,
> And all men work in noble brotherhood,
> Breaking their mailed fleets and armoured towers,
> And ruling by obeying Nature's powers,
> And gathering all the fruits of peace and crowned with all her flowers."

The part played by Seeley in voicing and promoting the reaction illustrates in an instructive way the close reciprocal relations that have existed during the nineteenth century between the political thought of Great Britain and that of Germany. The earliest and most solid of his historical writings was his " Life and Times of Stein," in which he entered so sympathetically into the achievements of the heroes of the Prussian national revival that he may be said almost to have done for them what Carlyle did for Frederick the Great. Not only was he the first adequately to introduce Stein and his

contemporaries to the English reader, but he assisted in no small degree to interpret their share in the creation of the modern Prussian State to their own countrymen. In the middle 'nineties, when I was an undergraduate at Oxford, Seeley's "Life of Stein" was recommended to me along with the works of Captain Mahan, by earnest young neophytes of Liberal Imperialism as containing the *arcana* of that doctrine of which the simpler elements were contained in the "Expansion of England."

The influence, on the other hand, of the growth of British Imperialism upon the study of history in German universities was unmistakable and very striking to an English student at Berlin in the closing years of the last century. Gustav Schmoller, who was Rector of the University in 1898, and who had, perhaps, done more than any other scholar to give the study of economic history an independent and constructive basis, was nevertheless expounding English commercial history on the lines adopted by Seeley, who had no understanding of, or interest in, economic or social phenomena except as furnishing the stakes in that high game of war and diplomacy, the records of which were the only serious concern of scientific history. To Schmoller, as to Seeley and Froude, the piracy of the Elizabethans, the Navigation Act of Cromwell, the trade wars of Chatham, were creative factors

in—and the overthrow of Spain, Holland, and France essential conditions to—the commercial and industrial expansion of England. Schmoller allowed that the methods of mercantilism ultimately became as obsolete as they had always been crude, wasteful and barbarous, and that the new epoch opened by Adam Smith brought a great advance in national policy as well as in international relations. But with the scramble for territory in Africa and Asia, the rivalry of the Great Powers in world policy had once more become a decisive feature in economic development; and a recurrence, in some degree, to the discarded methods of mercantilism was almost inevitable. Great Britain, whilst continually repudiating all desire for new territory, had extended its rule in thirty years over an area thirty times as great as that of the German Empire in Europe, and was already deliberating the abandonment of the open door. During the same period, Russia had added nine and a half million square kilometres to a highly protected empire; and the American Republic, now an Imperialist State, was seeking to dominate the political and economic future of the American continent. "Strong men," in whom the methods and morals of the speculative stock jobber were blended with those of the pirate captain, were coming to take a leading part in framing the

policy of the Great Powers. Whilst, therefore, Schmoller concluded, the renewal of the world-conflict portended incalculable evils to Western civilisation, and whilst it behoved reasonable and moderate men in all countries to hold their pirate captains in check, it would be fatal for Germany to neglect the factor of sea power, which might be as decisively and unscrupulously used by Great Britain in the twentieth century as it admittedly had been used in the eighteenth century.

It will be seen that, on both sides, historical premises played a large part in determining the political conclusions that led to the present conflict, and that these premises are based on two highly questionable assumptions. The first of these assumptions is that the causal nexus of history is to be found in the forceful or authoritative action of states operating through war or diplomacy, or through legislative and administrative control. And the second assumption is that where such forceful or authoritative action can be shown to have had economic motives, any ensuing economic developments of the kind intended must be considered as a result of such action.

There is no contribution to social and political science more sorely needed than a careful examination of these assumptions such as my friend Mr. Conrad Gill has here attempted ; and it is because

of our agreement in recognising this need in the days before the war, when we were colleagues in Manchester, that Mr. Gill wished me to write these few introductory words, which, however, I should desire not to be taken as anticipating or prejudicing his thorough, candid, and admirably balanced survey of the subject, but merely as providing an independent and supplementary approach to it.

GEORGE UNWIN.

NATIONAL POWER AND PROSPERITY

CHAPTER I

NATIONAL INTERESTS

HISTORY has often been described as a record of faults and follies. The description, although it is not entirely untrue, is very imperfect. It neglects the more important side of history: the increasing power of mankind over natural forces; the improvement in communications; the growth of law and order combined with individual freedom; the spread of wealth and welfare; the rise of a spirit of tolerance, compromise and association; the widening of the area of peaceful relations; the progress of art, science, and thought—and all the other movements which go to constitute the advance of civili-

sation. It implies, too, a belief that the events of real importance, which have moulded the destiny of nations, are of a catastrophic kind: wars and rebellions, deeds of heroism, feats of the strong hand of tyrants, sedition and persecution, plague and famine, and every sort of sudden and striking occurrence. To those who hold this view the Norman Conquest brings in mediæval life; modern life begins with the reign of Henry VII.; the Renaissance dates from the fall of Constantinople; the foundation of British trading supremacy is laid by Cromwell, the work is carried on by Walpole and Chatham and finished by Pitt. The whole course of history is viewed as an alternation of dull, meaningless periods of inactivity with luminous and decisive events.

In actual fact history is the study of the growth of civilisation; and wars and other catastrophic events often represent the negative side of history, because they, or the mistakes and weaknesses which cause them, tend to hamper the positive development which it is the main business of the historian to record. In this discussion we shall have

to deal with the dark side of history. But while we must prepare to spend a melancholy hour in reviewing a series of errors and misunderstandings let us remember that the end is not pure negation. Political progress takes place in spite of occasional calamities ; indeed, as we shall see later, the unhappy results of mistaken policy themselves point a way of reform ; and already in place of the ideas which we shall criticise there are constructive principles to be set.

If we inquire into the causes of any modern war—of any war, that is, of the last two hundred and fifty years—we shall find that in every case there is a great complication of difficulties and anxieties, but that nearly all the difficulties have their root in one single fact : the Governments concerned believe that their national interests are at stake and are being attacked by some rival country. For instance, all the involved diplomacy and intrigue which led to the Seven Years' War sprang from two simple causes : the desire of the Prussian and Austrian Governments for land in Central Europe, and the desire

of the French and English Governments for colonies. The outbreak of war between England and France in 1803 was due to a great number of separate sources of friction: Napoleon's stealthy interventions in the lesser states of Europe; his designs on the Ionian Isles, Egypt, India and Australia; a violent contest in the newspapers of the two countries which revived the bitterness of public opinion; the refusal of the English to evacuate their strong position in Malta—all these causes and many others. But any one who reads the official correspondence, the newspapers and the private memoirs of the time will see clearly that the Napoleonic War was fundamentally due to the same commercial and colonial rivalry which led this nation into all its other struggles with France. Similar causes led to the Crimean War, and similar causes have brought about the present disaster. For it is certain that the ultimate factors which determined the war are not to be sought in the action of one member or another of the diplomatic body, in the murder of a prince, the violation of treaties, the ambitions of a ruler, or even in the continual

preparation of armaments. These may be some of the more direct occasions of the crisis, although no one can yet estimate the exact influence of any one of them. Two facts, however, are certain: the crisis could never have come about but for the persistent diplomatic strain which preceded it; and the tension in diplomacy could never have existed if it had not been for the belief, prevalent in every country, that its national interests, its national wealth, strength and welfare, were threatened by the policy of other countries. The more the causes of modern warfare are studied the stronger, I firmly believe, will become the conviction that this idea of national interests is the chief ground of dispute between nations.

My purpose in this paper is threefold: to show how the common conception of national interests grew up and has been handed down to our generation, how it has proved to be ill-founded, and how the modern world, nevertheless, still believes in it. But first let me explain what meaning I am going to attach to the phrase "national interests." It is impossible, of course, to define the phrase

exactly, for we are dealing with a popular idea, and the thoughts of the public mind are nebulous things, defying definition. But nearly all of us have in our minds a vague picture of the community as a separate organism, having some sort of individual life, and having interests different from, and partly opposed to, those of other communities. We think of the Government as representing the life of the whole state; we think of it as the great Leviathan, embodying and manifesting in its person the will and the interests of the people. From this point it is only a step to the belief that anything which is good for the Government is also good for the people. So we come to regard political power as necessarily a benefit to the community. We welcome extensions of territory and we speak of our colonies as "possessions," as though we were all so many little kings receiving tribute. National wealth is not, of course, the only object of political expansion: there are many other motives, political and moral, which lead to the struggle for power and to contests between nations. We must return to these motives later and try to set them

in their right perspective.* But our chief concern at present is with the economic factors; and we may well devote our attention to them for a time because they are of the highest importance. In almost every period of domestic revolution the underlying cause is social or economic discontent. And so it is with international disputes: if the commercial rivalry were removed the disputes would lose a large part of their force, and such political troubles as remained could be adjusted with much greater ease.

Let us remember, then, that in speaking of national interests in this discussion we confine the phrase to economic interests—not forgetting the others, but believing that those with which we are dealing are of fundamental importance. And this use of the term agrees with the conception of national interests that is commonly held. For, as we have seen, it is generally believed that a powerful Government helps to enrich the subject, that conquest brings a reward in wealth to the successful nation, that an extension of territory is beneficial to the

* *See* below, pp. 122–140.

people—in short, that an increase of power means an increase of prosperity.

The idea is very largely mistaken. Indeed, no sensible person who considers the state of Holland, Denmark, and Switzerland, or the state of Belgium before the war, can pretend that a strong Government is essential to commercial and industrial success. The conception has only to be clearly stated to be disbelieved. But for the most part it is not a definite article of belief: it is only an unconscious assumption, an axiom that is never expressed. None the less this idea, contradicted by countless facts, has been for centuries, and still is, one of the underlying principles both of domestic and of foreign policy. If we are inclined to wonder how this can be, let us remember that we are all of us, without doubt, holding wrong views on all manner of subjects, and we maintain our mistakes simply because they have never been challenged; or if the challenge has come the error has been too firmly established to yield to the first attack.

Let us notice how our recognition of this mistake affects our view of the causes of

warfare. We see that this, the most important, cause rests on no solid ground, but is only an idea, and a wrong idea. In so far as wars are waged for economic ends they are not based on the certainty of a real, objective gain, but their purpose is subjective, existing only in the imagination; and a general recognition of this fact would automatically remove the chief occasion of dispute.

Note to Chapter I

Compare with the opening observations the following passage written by Finlay, the historian of Greece and the Byzantine Empire:

"The vicissitudes which the great masses of the nations of the earth have undergone in past ages have hitherto received very little attention from historians, who have adorned their pages with the records of kings, and the personal exploits of princes and great men, or attached their narrative to the fortunes of the dominant classes, without noticing the fate of the people. History, however, continually repeats the lesson that powers, numbers, and the highest civilisation of an aristocracy are, even when united, insufficient to ensure national prosperity. . . . It is that portion only of mankind which eats bread raised from the soil by the sweat of its brow that

can form the basis of a permanent material existence."

This is a remarkable passage, seeing that it was written in the middle of the last century. Finlay himself was one of the first British historians to treat history as the study of the development of whole peoples. Happily his charges cannot now be levelled against any recognised school of historical writers, although it would be rash to assert that all modern historians are equally clear in the matter of national interests.

Chapter II

SOME MODERN ILLUSTRATIONS

German Policy

Before tracing the origin of the idea of national interests and trying to explain its error I will illustrate by a few quotations the fact that it is still prevalent, and is, indeed, a most important factor in the present international crisis. Our examples will be chosen from the writings of German historians. It happens that certain historical writers in Germany have had a considerable influence on the policy of their nation, whereas the conclusions of historians in other countries have more commonly, and sometimes fortunately, been treated with respectful indifference.

The fact is that Germany attained to national unity later than most of the other states of Europe; and the government and people, wishing to become a great nation

with all speed, set themselves to imitate the process by which, as it seemed to them, the most successful peoples had risen to political and economic eminence. In particular they studied the growth of the most striking political institution in the world—the British Empire. They believed, as most other people did, that it had grown up by means of successful warfare, and they saw that while the Empire was growing England had taken a long lead in the Industrial Revolution, becoming the chief trading country in the world and the home of international finance. From these premises they made the natural but false deduction that the growth of trade was due to successful warfare and diplomacy. They saw, too, how England, in this highly progressive period of her history, was governed by an aristocracy; and, believing that the method of government is the main determining factor in the economic condition of a country, they concluded that aristocracy was the most admirable form of constitution. It is no exaggeration to say that the wrong interpretation of English economic history has been one of the chief causes of misunder-

standing between Germany and England. But the wrong interpretation is not confined to Germans. The mistaken idea of national interests is upheld at the present day by a large number of historical and political writers in Great Britain and all over the world. The difference between Germany and other states in this respect is that in Germany the principles which governed the conduct of statesmen in the seventeenth and eighteenth centuries are both believed and enforced, while other countries have in practice passed beyond the ideas which are supposed to guide their policy. It is almost universally believed, for instance, that an increase of territory is good for trade, yet, in spite of the belief, aggression is disappearing from most western nations. And we shall see later how our own colonial policy was changed without any conscious change in principle. No one now regards the Americans as a dangerous people, but we could find passages in the works of American historians and economists which expound the ancient errors as earnestly as any of the German works which we are about to examine. We may

be thankful that the people of the United States show forth these principles only with their lips and not in their lives. We shall have to return to this point later, and it is of some practical importance because a reform in international relations is quite likely to take place in this half-unconscious manner in the near future, many years, it may be, before the principles underlying the reform are at all generally realised.

The aberrations of thought, then, are not confined to any one country; and to do justice to Teutonic scholarship we should notice that there is a growing group of historians in Germany and Austria who profess more liberal views, and undoubtedly before long their school of thought will predominate in the German universities.

The misunderstanding concerns both political and economic history; and we might divide it into the two branches of administration and economic policy—particularly, for our purpose, the policy relating to colonies and foreign countries. Although political affairs are outside the strict limits of our subject, the two parts of the misunderstanding

are so closely related that we must take some illustrations of both.

Gneist

The leading German writer in the last century on English administration and local government was Gneist. He was a voluminous writer, and his conclusions were expressed at such length that they cannot be quoted here ; but I will try to give in a few sentences a summary of the message which Gneist delivered in the course of half a century with the greatest insistence and with a heroic disregard of reality. Arguing from the undoubted prosperity of England in the eighteenth century, and exaggerating the success of the British Government, he concluded that aristocracy was the only satisfactory form of constitution. He described it as self-government, that is, the rule of the people by their natural leaders. The aristocracy are called by nature to rule because their rank and wealth fit them to undertake responsibility. They are like dwellers on a mountain height who can survey the whole country-side, while the common inhabitants

of the plain know of nothing but their own petty surroundings. So the aristocracy alone can see all the needs of society and weld all sectional interests into a common purpose and policy. Gneist believed that if the mass of the people were allowed a voice in government they would simply prefer their own immediate interests; the wishes of the different groups would counteract each other, and the result would be "mechanical sterility." No constructive policy could be carried on by a democracy; and, as a strong progressive Government is needed to control an empire, no empire could be ruled under a democratic system. Gneist therefore regarded the Reform Act of 1832 as a disaster, and the later reforms as a crowning disaster, which would end in a general collapse of the Empire. There are many points in his doctrine which bear on the present international position; but the most important fact for our purpose is that Gneist looked back on the eighteenth century as a golden age, and regarded the ideals of the eighteenth century Governments as the only true guide for modern statesmen.

Treitschke

Next we will turn to Treitschke, whose name is now on every one's lips. His writings are almost a summary of German political ideas in the nineteenth century; for the changes in German politics followed very nearly the development of Treitschke's thought. In his youth he was inspired by the example of Fichte and Stein, and he was strongly influenced by the liberal views of his teacher, Dahlmann. He was a disciple of Humboldt, the great preacher of freedom, and although he was never a thorough democrat he regarded Mill's essay *On Liberty* with some favour. But his one ruling sentiment was a passion for German unity. The failure of the Liberals to achieve so much as the promise of a stable federal government for Germany set his mind against any form of federation, and began to dispose him against democracy as well. What he chiefly desired for his country was immunity from attacks from without and a firm, united system of domestic government. For the attainment of these objects the qualities which seemed to him most essential were

efficiency and strength, and both these qualities were found in the Prussian State. Therefore Treitschke turned with increasing hope and admiration to Prussia for the realisation of his ideals. His early dislike of Junkerdom vanished: his criticism of Bismarck's policy was changed to praise. The devotee of liberty became the apostle of Prussianism and power.

It often happens that a good movement degenerates into an abuse because men are apt to become so much attached to the organisation by means of which an ideal is sought that at length their enthusiasm for the organisation obscures the original ideal. So religious sects have struggled against persecution for the liberty of conscience, and having gained their liberty they have become persecutors in their turn. So also countless politicians, in their zeal for the welfare of their party, have been carried far away from the principles which they professed; and many times in the course of history those who contended for economic freedom against strongly placed interests, when once they gained their point have sought protection

and monopoly for themselves and their organisations. In the same way the views of political thinkers have often suffered a decline. We know that the State is a means to an end; but it is fatally easy to forget the end in our worship of the means, and to regard the State as an end in itself. Treitschke fell deeply into this error. His early enthusiasm was for freedom and national unity. But, believing that these objects could only be attained by a strong and efficient Government, he conceived such an affection for the powerful, compact State that his once liberal philosophy was cramped and dwarfed until it could be cast into a single narrow idea—"the State is Power." So political power became the central point of Treitschke's teaching. He assumed as an axiom that the greatness of the national State was the chief object of human society, and all the rest of his doctrine flowed from this idea.

We cannot, within the limits of this essay, follow his general political theory in any detail. If we were able to do so we should see that, apart from his treatment of international affairs, his work included a great

deal of shrewd thinking and forcible and attractive writing. He echoes, of course, Gneist's opinion of aristocracy—at times almost word for word. He maintains, for example, that "It is only natural that all local government should be aristocratic in character. It is impossible to entrust to the masses as such those official functions which are performed by the citizen and the land-owner. It is quite natural that these functions should be entrusted to the more powerful and influential citizens. To be sure the border-line with us is always placed very low; but local government must, by its very nature, be aristocratic."

Treitschke shared, too, all Gneist's views on the degeneracy of the English Government in the nineteenth century, and he expressed with great force the belief that the English character had become hopelessly narrow, selfish and commercial, since Parliamentary reform had destroyed the safeguards of aristocracy, and the triumph of the Manchester School had broken down the unity of the State.

The least considered part of Treitschke's

political theory was the question of foreign relations. And, unfortunately, this part of his teaching had the greatest influence: it was readily accepted because he did little more than repeat and emphasise ideas that were commonly held by his fellow-countrymen. His zeal for the State and his insistence on power as the final aim of society led him, naturally, to regard national interests as the supreme object of foreign policy. He thought of each national State as a person striving for existence among a mass of competitors. And he held that a State, like any other individual, could only remain vigorous and healthy if it was continually struggling and exercising its powers. Therefore, conflict was the normal relation between States, and warfare was essential to their well-being. All through his writings we meet with such passages as these:

"In this eternal conflict of separate States lies the beauty of history: the wish to do away with this rivalry is simply unintelligent. . . . It must be affirmed emphatically that war is the only cure for sick nations. . . . (The North Germans) have always fought

and defended themselves, and that is the chief thing in history. . . . If the essence of a State is power—power both at home and abroad—then the organisation of the army must be one of the most important questions in regard to the constitution of any State. . . . In so far as it is physical force, the State will have a natural inclination to snatch for itself such earthly possessions as it desires for its own advantage. It is by its very nature grasping."

In these passages we can see clearly the leading characteristic of Treitschke's teaching, his habit of treating the State as an individual, with its own interests distinct from those of the human beings who compose it, and in conflict with the interests of other States; and this view of the State is one of the chief errors of the traditional policy which we are about to examine, and one of the principal reasons for the attitude of mind which has led to warfare in modern times.

Treitschke often spoke of national interests, but he never explained clearly what he meant by the phrase. He was concerned much more with political than with economic ideas, and

he was content with the simple assertion that power was the be-all and end-all of the State, because he was convinced that the acquisition of power must be the natural ambition of every healthy State. Therefore, he never answered the question why the State should strive for power. There are some indications, however, that in the back of his mind Treitschke regarded national interests as being, at any rate in part, economic. He wished the power of Germany to be used for the furtherance of trade. During the Franco-Prussian War he urged strongly the retention of Alsace and Lorraine because of their importance for the economic interests of Germany: "Here in Alsace we actually find a German district the soil of which, under a genial sky, oozes with a fertility equalled only in a few favoured spots. . . . We are by no means rich enough to renounce so precious a possession." He represented it as a weakness in the constitution of the United States that "great social legislation is impossible, because the best elements of society move outside the sphere of the State." And finally he expressed a

strong belief in colonisation as a source of exclusive wealth to the mother-country—a belief which, as we shall see, was characteristic of the eighteenth century. "We realise now what we have missed," he wrote. "The results of the last half-century have been appalling: it was during this period that England conquered the world. The continental nations, themselves devastated by perpetual warfare, had no leisure to glance across the ocean, where England was seizing everything for herself. . . . There can be no doubt that a great colonial expansion is an advantage to a nation. The opponents of colonisation in our own country show their short-sightedness in failing to grasp that this is so. . . . It is nonsense to assert that the emigration from Germany to America is of any advantage to us. What gain can it have been for Germany that thousands of the flower of her manhood, because they could not earn a livelihood in the Fatherland, have turned their backs upon her? They are lost to Germany for ever. . . . How much precious strength we have lost through this emigration, and how much we are losing every

day, without the smallest compensation in return! Both the working power and the capital of these emigrants is entirely lost to Germany. Yet if they went out as colonists, what immeasurable financial gains these men would procure for this nation."

Treitschke seems, then, to have held something like the common, vague idea of national interests. But the one great interest of Power stood out clearly in his mind; and he was the chief advocate in the nineteenth century of national power and ambition, and of the virtues of international conflict.

Marcks

His opinions are echoed by Dr. Erich Marcks, the Professor of Modern History in Heidelberg. "Above all," says Marcks, "thinkers have come round to esteem political power. The sense of nationality, which has long been second nature to the earlier developed peoples of western Europe, was late in developing here, but it has developed. The feeling for the honour of the country, the appreciation of its power, and of power in general as one of the greatest forces in the

life of nations, all these and the race for power have become stronger and more conscious." And again, in regard to Bismarck: "He knew only one ideal, the welfare of his State. . . . His blood was up when his State, the Prussian State, was threatened in its independence and individuality; and in the depths of his gifts he possessed the one sense which his contemporaries in Germany lacked, a sense for political power."

The advocacy of power could not be much stronger: it is "one of the greatest forces in the life of nations." But why is it so praised and set up as the goal of all statesmanship? Treitschke, as we have seen, regarded power as an end in itself. But even he had some consideration for the economic welfare of the State, and thought of power as ministering to that welfare. And most practical politicians in modern Germany have conceived of power as a source of welfare, particularly in view of the simultaneous growth of power and trade in Germany, and the increased interest in national economy stimulated by the writings of List and his followers. Certainly Bismarck, the friend of Treitschke

and the hero of Marcks, showed a strong interest in the social well-being of the citizens, and held the idea of power in close relation to that of prosperity.

Schmoller

If now we ask how the political and economic sides are linked together in the minds of the advocates of power—if we ask, that is, how power ministers to prosperity—we may find the answer in the writings of Professor Schmoller, of Berlin, the foremost economic historian in Germany. A single sentence will give us the clue : " What I have in mind is the connexion between economic life and the essential, controlling organs of social and political life—the dependence of the main economic institutions of any period upon the nature of the political body or bodies most important at the time." Schmoller believes, then, that the form of government and the policy of statesmen are the prime causes which determine the success or failure of a people in trade and industry. He denies emphatically that individual enterprise, effort and initiative have

the chief weight. The work of the individual is moulded and directed by the State, and it is the State which decides the economic destiny of the people. It follows that the strongest State has the best opportunity for promoting welfare. An enlightened Government, therefore, will strive continually for increased power, and by the alchemy which true statesmanship has at its command, will transmute political greatness into gold.

Let us see, finally, how Schmoller applies his theory to the British Empire. "England," he says, "reached the summit of its commercial supremacy by means of its tariffs and naval wars, frequently with extraordinary violence, and always with the most tenacious national selfishness." So we are asked to believe that the work of Boulton and Watt and Wedgwood, the invention of the mule and the power-loom, the extension of credit and banking, the accumulation of capital and the growth of joint-stock enterprise, the establishment of factories, the construction of roads, canals and railways, the improvement of agriculture, and all else that is implied in the Industrial Revolution—that

all this was due, not to the enterprise of inventors and organisers, but primarily to policy, to a tariff, one of the most absurd and onerous ever known, and to success in warfare. However, I am not concerned at the moment to criticise these theories, but only to show that they are still maintained by leading scholars.

I have turned to Germany for these illustrations because the principles are most clearly expressed by German thinkers and most fully carried into effect by German statesmen. We should, however, recall the fact that the same ideas are very widely held in all civilised countries among scholars and such other people as have any views at all on the principles of politics; but in most countries the theory has comparatively little practical outcome.

NOTE TO CHAPTER II

There is a convenient summary of Gneist's doctrines in *Local Government in England*, by Redlich and Hirst. Several accounts of Treitschke have

recently appeared. One of the most instructive is *The Political Thought of Heinrich von Treitschke,* by Mr. H. W. C. Davis. This book contains many quotations, and it is so arranged as to show very clearly the development of Treitschke's ideas from Liberalism to Chauvinism. The excerpts in this chapter are from Mr. Davis's translation. The quotations from Marcks are taken from a series of *Lectures on the History of the Nineteenth Century,* edited by Dr. Kirkpatrick. Schmoller's principles are quoted from *The Mercantile System* (translated by Professor W. J. Ashley). Any one who wishes to appreciate the German point of view should also read List's *National System of Economy.*

Chapter III

NATIONAL POLICY: MERCANTILISM IN PRACTICE

Growth of National Policy

Now let us return to the early days of this theory of economic nationality and see in what form it was held in the seventeenth and eighteenth centuries, how it was carried out, and with what result. As we pursue this inquiry we shall notice how completely the old doctrine resembles that of the German writers: it will be seen, in fact, that many people in this generation are clinging to a set of beliefs, in a large part mistaken, which have been handed down from a bygone age.

The system of government and of theories about government which existed in the seventeenth and eighteenth centuries is known among economists and historians as the Mercantile System—a name which is meant to suggest that the rulers of that period were

deliberately trying to promote the trade and industry of their peoples. The Mercantile System grew up with the growth of national Governments which marked the transition from the mediæval to the modern age.

It is hard for us to realise how ill-defined were the nations of mediæval Europe. Even to-day political and racial boundaries by no means coincide: in the Middle Ages there was only a very slight connexion between them, and the races themselves were only half determined. The King of England ruled a considerable part of France. Spain was composed of several States, and the southern part of the country was inhabited and ruled by Mohammedans. Normans, Saracens, and other races mingled in Sicily. Italy was a maze of States: a kingdom, some duchies, the Papal States, free cities, and lesser feudal territories. Holland was part of a German State; and a good deal of Belgium was subject at one time to the French crown, and at another to a duchy of unstable dimensions. Germany was Italy over again on a larger scale. It was not a political unit, but a huge tract of land, divided into hundreds of prac-

tically independent States—marks, duchies, electorates, ecclesiastical lands, possessions of imperial knights, free towns, and even free villages. The whole of Europe was nominally subject both to the Pope and to the Emperor, who was a German prince.

Economic affairs were in a similar position. Most people in Europe spent their lives in their own villages or towns, and never moved many miles afield except in time of war. Trade was local. Anyone who visited a town, unless he were of the local commune or had been admitted to the merchant guild, was regarded and treated as an alien, whether he came from the nearest borough or from the other end of Europe. There was not as yet any sense of national unity in economic matters, or of any common national interest in trade. The prevailing interests were those of the township or the craft. Nor was there yet anything which could be described as a national economic policy on the part of the Governments ; for the incursions of royalty into the domain of commerce were designed, not as a rule with a single eye to the welfare of the people, but rather to discover aids to

political power or expedients for paying the king's debts.

But in course of time a national consciousness was developed. Local barriers to trade were broken down by the continual pressure of enterprise: whole countries were opened up to the flow of commerce and the establishment of industry. At the same time political changes were working in a similar direction. Countries were brought each under a single system of law; ambitious kings detached themselves from the control of the Empire and the Papacy; representatives of all districts met in one Parliament; contentious nobles fought each other to a standstill, and so left the way clear for energetic rulers to bring the whole of their country under one strong, central Government. So, in place of the confused margins of mediæval Europe, the clear outlines of modern countries began to appear, and the monarchs began to have a keen consciousness that they were the leaders of a whole people, responsible not only for good government, but also for the comfort and prosperity of the community.

The Mercantile System was the economic

policy designed for the control of the newly-formed nations. The mercantilist ideal was a strong, compact, prosperous state, under a centralised Government which should extend its firm but kindly sway to every part of the country, and to every aspect of national life, and should stoutly oppose the competition of rival communities, both in warfare and in trade.

In several respects it was a good ideal. It was well that law and order should be established ; it was well that the unruly aristocrats should be held down with a firm hand. The sixteenth-century rulers, many even of the smaller princes, showed an honest desire to do everything in their power (and indeed a good deal more) for the welfare of their people. It was no small thing that the Tudor Governments should wish to prevent any single subject from falling into destitution. We may notice particularly the advance in civilisation implied in the growth of national feeling and government. Feudal nobles no longer waged private warfare or harried the lands of their neighbours; the common people no longer suffered from their oppres-

sive rule; out of the conflict of sectional interests there arose a sense of one common interest in national welfare. With the removal of local barriers to trade there came a great increase of wealth. There came, too, a quickened understanding of social affairs. Men at different ends of the kingdom traded with each other, and in their intercourse learnt to appreciate other needs than their own, and so increased the range of their sympathies.

We shall shortly have to criticise the mercantile system, but as we do so let us remember that, imperfect as it was, it marked an advance beyond any system of administration previously known to Europe. Its mainspring was the spirit of patriotism; and patriotism is both a good and an evil thing. In its most aggressive form it appears to us as a hideous disfigurement of Christianity and civilisation. In this form it consists of hatred and suspicion towards all peoples whose interests seem to conflict with our own, and a desire for aggrandisement at the expense of other nations. This kind of patriotism unfortunately survives to some extent to the

present day; and it is a survival of mercantilism. But in another aspect patriotism is wholly good. For every one is a patriot who works for the welfare of his fellow-citizens and prefers the common good to his own individual interests. Herein lies the virtue and nobility of those whose desire for the safety and freedom of their own people impels them to fight against any power which seems to threaten the independence of their country or the principles on which that independence is founded. This patriotism, too, grew up with the mercantilist spirit. So the national system of government, although its good features were confined within the limits of a single state, marked an extension of political freedom and an increase in the area of peaceful relations. If we place it in its true historical setting we shall see it as a step towards the recognition of world-wide interests and the establishment of law among nations, which is the last stage in the development of political peace.

The growth of compact nations was far advanced in the sixteenth century, when France and England were ruled by strong

monarchies, and Spain became detached from the Empire and Holland from Spain. The process went still further in the seventeenth century, when Prussia and Austria came forward as the leaders among the battered and exhausted States of Germany, and Russia entered the field of western politics. The history of the eighteenth century is full of the long struggle between these great States for prosperity based on political power. This whole period was an age of autocrats, and mercantilism was their policy. It was the policy of Henry of Navarre, of Richelieu and Mazarin, of Louis XIV. and his great minister Colbert, who practised it with such vigour and enterprise that it is sometimes named, after him, Colbertism. James I. and the other Stuarts were mercantilists, and Strafford's system of " thorough " was mercantilism under yet another name. Cromwell brought his Government near to bankruptcy with the same policy ; Walpole pursued it in peace and Chatham in war. On the Continent Peter the Great and Catherine II. of Russia, Frederick the Great of Prussia, Joseph II. of Austria, and the other " benevolent despots "

sought the mercantilist ideal with the effusion of much blood and treasure.

Methods of Mercantilism

We must now see by what means these aspiring monarchs sought their ideal and enforced their policy. The immediate economic object was to increase as far as possible the wealth of all classes in the community; and to this end not only to swell the volume of trade but to provide the fullest employment for labour. Now, abundant employment obviously depends on abundant manufacture; and it was clear to the mercantilist that a country would have the most flourishing industry if it manufactured all the goods required within its own boundaries. Suppose, for example, that six processes of manufacture were needed for the production of some particular goods, and that each process employed two men. Then if the goods were exported after the first process ten men would lack employment. But if the finished product only is exported all the twelve men find occupation and wages, and the country is enriched by the export of

more valuable, because more highly manufactured, material. Thus, in the case of the cloth trade, it was regarded as a great national evil to send yarn abroad when only sorters, carders and spinners had handled it; or to export "raw," unfinished cloth, which had only found additional employment for the weaver, and perhaps the burreler. But see that the cloth has been fulled, rowed, shorn and dyed before it leaves the country, and you perform a national service, for you are finding employment for every possible man.

This was not, of course, the whole theory of international trade. In fact there was a great deal of speculation on the subject in the seventeenth century, because foreign trade on a really large scale was a comparatively new development, and both conspicuous and attractive. Home trade might supply a humdrum living for the population, but it was felt that limitless sources of wealth lay before those who adventured overseas. Only a nation which exported and traded abroad could hope to rise to opulence and power. The economic thought of the eighteenth century, therefore, was largely built up on

questions of international trade, and particularly on the insoluble problem of making exports persistently overbalance imports. Some of the theories were quite elaborate, but nearly all of them were centred upon this simple idea that a nation should be not only self-supporting, but so much more than self-supporting that it could send large quantities of manufactures and foodstuffs abroad. And the policy of all Governments was directed to this end. Many foreign goods were altogether excluded (as far as the law could exclude them), others were highly taxed, and bounties were often given for the export of home manufactures. Everywhere the hand of Government intervened to control or stimulate industry, at one time attempting to settle the rate of wages; at another trying to devise work for the unemployed; introducing foreign workers and foreign methods; settling citizens in colonies and dependencies, with or without success; seeking to develop the production of fine materials and so crippling the trade in coarser goods; prohibiting the export of unfinished cloth, with the result that spinning and weaving were brought to a

standstill; or sending thousands of mulberry trees to unresponsive farmers in order to stimulate the production of silk. Such were the efforts of the monarchs and ministers who, as the history books tell us, made their people glad and earned an imperishable fame by encouraging trade and industry and laying the foundations of national prosperity. In practice their policy was much influenced by political or religious affairs, and by the necessity of raising an ever-increasing revenue without laying heavier burdens on the land-owning class. But the avowed principle was that of a powerful Government making rich its subjects, directly by fiscal and other encouragement, and indirectly by excluding or hampering foreign competitors.

As a matter of fact the policy was not often carried out with precision. In the first place, it was manifestly impossible that every nation should export manufactures and that no nation should receive them. But, apart from this difficulty, every one in every nation was a buyer of manufactures, and every one wanted to buy the goods which best suited his needs. Many of these goods were made

in foreign lands; therefore foreign manufactures were bought in every country whether the Government would allow them to come or not. If the Government were sympathetic the goods were admitted on easy terms; if not, they came outside the law. Smuggling reached such dimensions in the eighteenth century that it became an important factor in economic history; it counteracted in a considerable measure the ill effects of mercantilist policy, added largely to the welfare of many people, and contributed directly to the growth of economic freedom. And it was not the consumers alone who resisted the rigid practice of mercantilist doctrine. Very powerful trading and industrial interests tended in the same direction; for many merchants realised that the restrictions imposed by the Governments lessened the total volume of trade and so injured their class; and those who dealt in raw material or half manufactured goods made their living by a method wholly opposed to strict mercantilism.

But in spite of these exceptions a great deal of the mercantilist theory found its way into practice. Even those whose actions

resisted it often believed it in their hearts. The enormous tariffs continued through the eighteenth century with hardly a voice raised against them. Governments were praised for their frequent and, as a matter of fact, unfortunate excursions into the field of commerce. Nearly every one held firmly the idea that the interests of each nation conflicted absolutely with those of all other nations: therefore the wars of the eighteenth century were fought with a good conscience, every combatant believing that in hurting the adversary he was building up the prosperity of his own people. The power of government, which in economic affairs was largely destructive, was regarded as the greatest constructive force in the world. The rulers were well pleased with their own efforts, and their satisfaction was shared by their subjects.

Perhaps the most remarkable feature of mercantilism was the treatment of colonies. Every colony and dependency was regarded as a possession—not an extension of the home country nor a partner in a confederacy, but a tract of land to be exploited in the interests

of the dominant nation. Settlers in the colonies were allowed to supply their own needs so far as they could; they were welcome to send raw material to the mother-country, and they were very welcome to buy from her both food and manufactures. The colonies were regarded, in fact, as markets for home produce, sources of raw material, and subjects for taxation. They existed solely for the benefit of one country. They were shut off by law from direct trade with any other nation. All trade between the colonies and foreign parts had to pass through the mother-country, and home merchants and custom-house officials both had their picking from the process. This policy, like other parts of mercantilism, could not be strictly enforced; in fact it was a particularly difficult part to carry out, for the colonies were so far distant that most unmercantile practices could occur without hindrance. And when scrupulous governors tried to perform the whole of their duty in taxing and restraining colonial trade, the answer was apt to come in Boston tea parties and declarations of independence.

The Results of Mercantilism

I have suggested in this description that the mercantile system was not altogether fortunate in its results. We will glance now at these results and afterwards see some of the chief reasons why the policy miscarried. There were two branches of mercantilism, the domestic and the foreign, both of them expressions of the same policy; and we will consider these two branches in order.

We have seen that efficient central government marked an advance in civilisation, and we might easily suppose that it marked a stage in economic progress as well. We should be very cautious, however, in drawing this conclusion. For central government was rather an effect than a cause: that is, the newly-developed unity of national feeling demanded a central administration, yet nations were welded together not by Governments but by a gradual and spontaneous process among the people themselves. A national system of administration was good because it was demanded by public opinion and fitted the needs of society, and because the presence of a legislative body or a ruler

who represented the whole nation gave the people a quickened sense of the unity of their social organisation. The maintenance of order and of a uniform system of justice throughout a nation were also of benefit to trade and industry. But when the mercantilist statesmen went further and tried to promote prosperity by special legislation they very soon exceeded the limits of their usefulness. Their labours in the interest of commerce were, as a matter of fact, among the least successful of their activities. They constantly passed measures which could not be enforced, or measures which were injurious in so far as they were enforced. Time after time the legislation of one session had to be repealed in the next. Attempts to regulate trade often took the form of mere restrictions without any compensating advantage, or served only to benefit a small group at the expense of the whole community. Even the inspection of the quality of goods, which might seem at a first glance a useful custom, caused in practice a great loss of trade because of the almost inconceivable delays involved; and in particular injured the smaller

producers who had not enough capital to wait, as the Government would have them wait, many months before receiving any return for their labour. Moreover, in the sixteenth century the right of inspection became a favourite form of monopoly and developed into a very serious abuse.

Without doubt the mercantilist Governments seriously believed that they were working for the benefit of all classes of their subjects; but they were very liable to act in the interests of those persons who could most readily catch their ear, that is, of the persons who had the greatest vested interests. New enterprises which threatened existing interests were represented to them as dangerous innovations, tending to the overthrow of all that was worth preserving in society; and whether they approved the new departure or not they must necessarily find it more difficult to regulate than lines of trade which had developed settled methods and traditions. Therefore State interference in the mercantilist period was nearly all repressive and restrictive, tending to check enterprise, to encourage monopoly, and to stereotype existing customs

and conditions. Thus the benevolent Tudor Governments tried spasmodically to prevent the growth of new towns which would compete with towns already established, and spread monopolies broadcast because they were a ready source of revenue and a convenient means of regulating trade. And the equally well-meaning ministers of the later Stuarts tried to prevent the movement of population from one part of the country to another, and endeavoured to stop the export of woollen goods and lean cattle from Ireland, because it competed with the trade of the mother-country, which had the first claim to protection from the State. A similar spirit led to the restriction of colonial trade. In fact, almost the whole explanation of English policy in Ireland at this time is that Ireland was treated as a colony.

If we consider these examples, and remember as well that the measures of regulation often produced very different results from those which were intended, we shall see that there were many defects in the domestic side of mercantilist policy. And when we turn to the regulation of foreign

trade we find that the outcome was much worse. For not only did the restrictions and promiscuous tariffs cause a vast loss in the volume of trade; but the whole spirit of mercantilism also implied ill-will and continual misunderstanding between nations. Every Government strove against every other for the capture of markets; and every citizen who was in any way connected with foreign trade was taught to regard the foreigner as an actual or potential enemy. In this way a feeling of hostility and mistaken jealousy was spread through whole peoples.

But the worst outcome of mercantilism was the struggle for land and colonies. We have seen how, under mercantilist rule, all the possessions of a nation were fenced in by prohibitions and exploited for the exclusive benefit of the mother-country. It followed that every nation, for its own welfare, must desire the greatest possible share of valuable lands. And there was no illusion in this desire. If a territory were annexed, there was a fresh source of supply and a fresh market opened up: if the land passed to another State the market was closed to

legitimate trade, and the raw materials, if they came at all, could only come at a great price through a foreign country. If a large part of India were subject to France, British trade could only find entry there on sufferance and by the payment of heavy tolls. But if India were the preserve of a British company our trade could flow freely to and from the Indian markets, to the great enrichment of our people. As long as countries and colonies were treated as springs of wealth to be drawn upon by one nation alone, and enclosed against all other nations, a struggle for the possession of land was inevitable. And as the competition was at its height in the seventeenth and eighteenth centuries, and the traditional method of acquiring and holding land was by armed force, we cannot wonder that those centuries were troubled by almost continual warfare between the nations of Europe.

Note to Chapter III

The standard authority for mercantile policy is Adam Smith's *Wealth of Nations* (Book IV). The

best critical account of mercantilism that has appeared in recent years is to be found in the sections of Professor Unwin's *Industrial Organization in the XVI. and XVII. Centuries*, which deal with national policy.

Chapter IV

NATIONAL POLICY: MERCANTILISM IN THEORY

Power and Prosperity

Such were the unhappy results of mercantilist policy. But in spite of them the policy was almost universally favoured until the time of Adam Smith. Now when we find that a system of government which leads to many disasters is yet widely respected and believed to be a source of prosperity, we may conclude that the beliefs on which it is founded are in some degree mistaken. And, having reviewed the mercantilist doctrine and its results, we may turn to examine the errors which, in spite of the good elements in mercantilism, led to frequent abuses.

We will notice four fundamental mistakes which are closely bound together and all exhibit the characteristic mercantilist state

of mind. The first, which in a sense includes all the rest, is the confusion of power and prosperity—the belief that a strong Government makes a thriving people, or, at any rate, that political strength is an essential condition of economic welfare. If we ask how the confusion came about we shall find the explanation in the other three ideas which we have to examine. The conviction that power and prosperity go together was so firmly rooted that it was, and still is, maintained in spite of several conspicuous examples to the contrary. Spain, in the seventeenth century, with her huge possessions, was burdened with a great mass of destitution. France, about 1700, was by far the greatest military power in Europe; but a considerable part of her people lived in dismal poverty; while the Dutch, whose military strength was so small that the French forces could overthrow it at any moment, were one of the most prosperous peoples in the world. Certainly the method of holding and exploiting colonies and dependencies gave some colour to the belief in political power. But this method was itself a result of a second mistake in thought—a

partial view of prosperity, which took into account the welfare of one State alone.

Conflicting Interests

Such was the view taken by Colbert and other ministers over the whole of Europe. Each thought of his own state as a united body with a single interest, hedged about with competitors and rivals which sought to enrich themselves at its expense. Their own country, these statesmen believed, could be made self-supporting, apart from the supply of a few luxuries and raw materials, if only the Government insisted strongly enough that it should be so; and this self-sufficiency would be an immense gain. Therefore let their Government set its face against foreign intruders; let it rigidly exclude their manufactures and their produce, receiving from them nothing but raw material and money; let the colonies and subject lands be closed in like manner to the outside world; let the State be enlarged, its boundaries wider and wider extended, that the sources of supply might be increased and the area of rivalry diminished. If the Government followed this

progressive course it would shortly be blessed with the consciousness that under its guidance there had grown up a mighty and prosperous nation.

This principle is the very rock—or sand—on which the mercantile system was raised; and it was against this principle that Adam Smith directed his great and overwhelming attack in the fourth book of the *Wealth of Nations*. The central point of his criticism is familiar to all students of economics. It is that all nations have a common interest in trade. There are differences between them, both natural and artificial; differences of climate, resources, situation, race, government, customs, speech and currency. But these distinctions do not imply that each nation should strive to be economically independent of all others. They show rather that every country, because of its special development, can produce certain goods better than others. And it is clearly to the advantage of every country to concentrate on the lines of production for which it is best fitted, and to exchange its special products for the special products of other countries. By this method

goods will be the most efficiently and cheaply made, trade will be at its maximum, and a great step will have been taken towards that abundance of useful goods which is the ideal of material welfare. The conclusion is that each nation is in a sense an economic unit, but it should not try to be an economic universe. That is the truth in regard to international relations, and it conflicts entirely with the mercantilist theory.

We may illustrate this conclusion by Adam Smith's celebrated example of Scottish wine. "Very good grapes," he says, "can be raised in Scotland, and very good wine, too, can be made of them, at about thirty times the expense for which at least equally good can be brought from foreign countries." Clearly in this case the best arrangement is for the people of Scotland to use French or Spanish wine, and to give in exchange the goods or services best suited to their abilities.

The struggle for colonies was, as we have seen, one of the chief features of mercantilist policy; and we will take another example illustrating the same principle applied to this branch of mercantilism. For the sake of

clearness we must choose an imaginary example, because in practice there were many complications which would occupy our time unduly without altering the principle. Let us suppose that England in the early eighteenth century had special facilities for certain kinds of woodwork, and that the best timber for the purpose was found in Canada, at that time a French colony. We will suppose, too, that the French were particularly skilled in making confections of various sorts, which involved the use of sugar from the British colony, Jamaica. Then, under the old colonial system, the timber could only come to England through French ports at an extravagant price, and the import of sugar into France would be similarly taxed and restricted. Thus there would be a choice of evils. Either inferior goods would be made in each country from materials obtained locally, or the French confectioners and the English carpenters would import the better kind of raw material at great expense from abroad ; purchasers would suffer by the high prices ; and the volume of trade would be correspondingly small. If free and direct

trade had been allowed between the colonies and the foreign countries, both France and England and the colonies as well would have gained substantially. And if we apply this same principle to all colonial goods and to all countries which held colonies—making allowance for the fact that there was not in practice such a complete monopoly of raw material as we have imagined—we may see how injurious were the effects of the old colonial policy. If also we bear in mind that similar restrictions were imposed on all international trade—not only on trade with the colonies—we shall realise that the whole mercantilist policy of national exclusiveness was a huge mistake, disastrous in its results.

This national exclusiveness has been one of the main causes of modern warfare, and it is based on a mistaken belief. We can see now more fully the meaning of the statement that the economic origin of wars is a subjective and erroneous idea, and that there is no sufficient economic ground for aggression in solid fact.

Sovereignty

The third mistake of the mercantilists is

their belief in sovereignty—that is, the existence of some absolute and final power in every State. This idea had grown up, like the whole of the mercantile system, with the nations of modern Europe, and in particular it was an attempt to explain and justify the strong monarchies of the sixteenth and seventeenth centuries. The principle of sovereignty may be stated in this way : Laws are essential to every organised State. But positive laws do not grow of themselves ; they must be created by some authority. Therefore there must be in every State a power above the law, able to declare what the law is to be. So far the principle is true, but if we pursue it further we find ourselves on less solid ground. For, as Hooker said, " Laws are not which human approbation hath not made so." In other words, no bidding or declaration is worth calling a law unless it is very generally observed, and unless the law-making authority has power to compel its observance by those exceptional people who would like to break it. Anyone can announce what, in his opinion, ought to be done ; but that fact does not constitute him a sovereign. It is

easy to express an opinion but it is another matter to see that the opinion is carried into practice. There was latent, then, in the principle of sovereignty the idea, never clearly expressed, that the sovereign power could not only declare the law but could enforce it as well; that in every State there must be a sovereign who could both say and do anything. The Governments of Europe showed their belief in this idea in a practical way by issuing time after time laws and ordinances which could not be enforced: sumptuary measures to regulate the details of daily life; statutes in direct opposition to economic tendencies, and courageous attempts to alter the character of society by the stroke of a pen. The Statute of Apprentices of 1563 was a measure of this character, a sweeping measure designed to regulate the whole course of industry; so, too, was a part of the Elizabethan Poor Law; and such were the constant attempts in all countries to bring about religious conformity, or the efforts to compel all people to eat fish, in the interests of the maritime industries. Other striking examples can be found in the schemes of plantation in

Ireland, Cromwell's Navigation Acts, and a considerable part of the linen laws passed by the Irish Parliament. Hardly a year passed without the commission, somewhere in Europe, of conspicuously unsuccessful acts of sovereignty. Sometimes the failure was recognised, but the cause of failure never. It was said, for example, only ten years after the passing of the Statute of Apprentices, that the Act was a dead letter. This statement was not far from the truth, but the explanation given—that the law was badly administered—was by no means sufficient. James I., in a pathetic passage, admitted that his great scheme for the woollen industry had gone astray : " We declared our desires," he said, " to have brought to passe as a principal work of our times the manufactures of dying and dressing of broadcloth within this realm . . . but finding that time discovereth many inhabilities which cannot at first be seen . . . we intend not to insist and stay longer upon specious and fair showes which produce not the frut our actions do aim at . . . perceiving that the former groundes proposed to us by the Undertakers

of the Worke consisted more in hopes than in effects, and finding the work itself to bee too great to bee brought to pass in a very short time."*

Failures, then, were attributed to sheer misfortune or to minor defects in administration; no one dared to suggest that after all the sovereign power might not exist. There were grave differences of opinion as to its nature, but everybody believed that it was there.

In actual fact, of course, there is no such thing as an absolute sovereign power. The old explanation of failure—that the law was not properly administered—was partly true, for administration was very much less efficient then than it is to-day, and a modern government can carry out many things which would have been impossible in earlier times. But still there are many things which no Government can, or ever will, achieve, even with the full support of the people. A Government cannot quickly bring enlightenment to an ignorant population, or raise by statute the

* Unwin, *Industrial Organization*, p. 193.

moral standards of the community, or make a whole nation rich. A Government can do a great deal to alter the organisation of society, but over society itself, over the men and women and children who compose society, its power is very limited.

The Abstract State

The mistakes which we have examined already led naturally to a fourth—an exaggerated idea of the importance of the State. The first mistake, the confusion of power with prosperity, did so because power is only attainable through the State. The second, the habit of regarding different countries as conflicting economic units, led people to believe that their whole nation had one common interest and that the welfare of all the citizens varied together, rising in response to a good, robust policy of beating down the adversary, and declining with a bad, passive policy. So the subjects were led again to look to the State for their prosperity. And the theory of sovereignty worked in the same direction, for it implied that the Government included among its sovereign attributes the

faculty of making wealth for the community. We can easily understand, then, why the ordinary citizen in the days of mercantilism expected too much from his Government and clung to the expectation in face of the facts.

But this mistake was not simply a matter of degree; it was also a mistake in kind. For political thinkers taught the people the doctrine that the whole State is an organism of which Government and subjects are component parts; and that the welfare of the subjects, the life of the whole community, is personified in the Government or the sovereign. All publicists were agreed on this point, whether they held with Hobbes that the sovereign should be a single man, or with Locke that Parliament and the executive authority and the justices should share the sovereign power, or with Rousseau that the whole people were the sovereign, and that the ideal of government was for all the citizens to yield up everything to the commonwealth. In all cases this abstract union of interests, the State, was held to be the all-important factor in the lives of the citizens; and as the active principle of the State was

embodied in the Government, it was believed that the success of the Government represented the common success of the whole nation, that whatever was good for the Government and increased its power was good also for the subjects and increased their welfare.

In real life the State consists of a number of human beings, served by officials, and furnished with buildings and other material instruments, and with organisation for the purpose of government. But we are apt to think of the State as being itself a sentient, living thing, a common life distinct from, but including and dominating, the individual lives, a creature with its own hopes and ambitions and interests; whereas the State in the abstract is only the association, and in the concrete it is the mass of human beings who have formed the association. Now, an abstract union can have neither interests nor any sort of feeling; and of the component parts of an actual State it is only the officials and the common citizens—real human beings—that can have any true interests and ambitions. Many people have believed that the interests of the officials and the people

are the same, and that they are identical with the interests of the State. The officials form the Government, and the Government represents the whole people. If it acts in a manner opposed to the common interest the people will sooner or later rise up and depose it. Therefore there must be at any rate a rough correspondence between the wishes of the people and those of the Government; and the more nearly representative the system of government—the more fully the people control the actions of the officials—the greater will be the similarity between their views. If the system is completely representative the Government will act entirely in the public interest.

This argument would be true if the wishes of the people were altogether congruent with their highest interests. But even Rousseau, the great preacher of the organic unity of the State, admitted that the people might not always know what was good for them; and countless times in history Governments, with the full assent of the subjects, have followed lines of action that led to disaster. The wars of Louis XIV., for instance, at any

rate the earlier wars, brought great glory to the king and rewards to his ministers and generals, and were supported by the mass of the subjects; yet they brought no gain to the subjects, rather, in the long run, very serious loss. Indeed the general effect of wars has been, in John Bright's phrase, to double the peerage and at the same time to double pauperism: that is, to benefit the officials and to injure the mass of the people. Again, Governments and people may err together in ways not involving warfare. We may refer for an example to another event in the reign of Louis XIV., the greatest of mercantilist rulers. When he exiled some of his most useful subjects the majority of the people undoubtedly approved his action; but no one now will pretend that the departure of the Huguenots was anything but a loss to France.

Or again, rulers and citizens alike generally welcome an extension of territory. They rue the loss of lands and feel restless and vengeful until those lands are recovered. They believe that the growth in size and power of their State is necessarily a good

thing, both politically and economically. Let us see what the effects of an extension of territory actually are. We will suppose that of three States, A, B, and C, which lie together, the two last fall into subjection to the first. What will be the effects of the annexation on the inhabitants of A? Possibly, if artificial barriers to trade have existed between the three countries the result may be good, for trade will now flow freely and will therefore increase. But if trade has been free before there will be no such advantage; and in any case the gain will be due not to annexation but to the removal of obstacles to trade, which might readily take place without annexation. Such was the gain to Germany from the amalgamation of the different States into a single economic system. This gain, however, was the result of the Zollverein which came into existence long before the Empire was formed. The great advantage resulting from the Empire was political, namely, the establishment of efficient and comparatively free government in place of the crabbed, despotic and incompetent rule of the old German States.

But the benefit came, not to Prussia, the dominant power, but to the lesser States which were annexed to the Empire.

To return to our example, we see that the extension of territory will in no way benefit the people of State A. No new market will have been opened up ; their wages and their dividends will be no higher, their taxes no lighter, their goods no cheaper ; they will receive no better education ; their conduct will not be improved—if, in fact, they come to regard themselves as a ruling race rather than as partners in a federation, their moral standards may suffer injury. Certainly there is an exception in the payment of tribute, especially tribute in kind, which may help to support the ruling nation. But even this direct benefit may not ultimately be of real use. For if the tribute is divided among the people in A, and they learn to regard it as a regular source of income, there will almost inevitably follow a slackening of trade and production, and they will lose in idleness what they have gained in tribute. Such seems to have been the effect of contributions from subject States both in ancient

Athens and in Rome; and it is easy to show that a tribute, in its modern form of an indemnity, although it may be a temporary convenience to a Government, will seldom be an appreciable advantage to the people. It is unlikely, then, that more than a few individuals in the ruling nation will benefit from an extension of territory. On the other hand there may be a considerable loss. If, in our example, the nations B and C were to submit voluntarily to the Government of A there would, in all probability, be neither loss nor gain. But if B and C are conquered and submit unwillingly, then A must provide strong military, and perhaps naval, forces to hold them down and guard the prize against other States; and must also maintain an efficient civil service. It is hardly possible that the whole expense of these undertakings could be thrust upon the taxpayers of B and C. And in any case the heavier the burdens and compulsions imposed on the subject States the greater the troubles and difficulties which the dominant nation will have to meet in the future. In this example the State has grown in territory,

power, and wealth, but the people composing it have not won for themselves a happier lot in any particular. We conclude, then, that there is little inducement for the citizens of a nation, in their own interests, to desire increased political power and expansion of territory.

Perhaps there may be some such inducement for the officials; for the greater responsibility of ruling over a wider area may bring them an increase of revenue, and an increase of things more esteemed than wealth—political power and social prestige. I doubt, however, whether the mere desire for personal aggrandisement weighs heavily with officials: I doubt whether many statesmen would deliberately follow a policy which they believed would benefit themselves but would injure the nation. Therefore if statesmen act so as to serve their own interests in opposition to the real interests of the citizens they do so not from motives of individual gain, not in spite of the wishes of the citizens, but with full public approval and in the belief that their policy is benefiting the whole State. For although they do not seek

to serve themselves as individuals, they know that collectively they form a Government, they believe that as a Government they are the visible counterpart of the State and the guardians of its interests. And if the powers and abilities of the Government be increased are not the powers and abilities of the State increased also? Does not the State profit by its enhanced greatness; and if the State has benefited, is not every member of the State in some way elevated and enriched by the gain? These are some of the leading motives that inspire political aggression; and we see again that the abstract idea of the State is the source of misunderstanding and evil. It is impossible to estimate how great the evil has been in the whole course of history, how much solid good has been sacrificed to this lifeless image of the State, how much devotion and energy have been spent in its service without benefit to any single human being. The State has commonly been regarded by rulers and people alike as a person with individual aspirations and interests. To them the State has appeared as a landowner who can increase his

income by enlarging his property, and a merchant who can swell his profit by browbeating his neighbours into trading with him on favourable terms. As long as this belief is held it will lead to strife and disaster.

There is, of course, a real State, but it is composed of human beings and is no abstraction. And all that matters to those who seek the good of the State is that every individual within the limits of its territory should be as safe, comfortable, free and happy as possible; for if all the people are prosperous it follows that the State, which consists only of the people taken together, must be prosperous too. But there is no welfare of the State apart from the welfare of the individuals who compose it.

The State and Society

If we wish to find a name for the mass of human beings, acting in some matters as individuals, and organised for other purposes into Churches and States and all manner of voluntary associations, we may refer to them as Society; and we may use the term to include the people in a given district, in a whole

nation, or at a certain stage of civilisation; or we may use it in an international sense, as when we speak of European society. The State consists of a group of people, commonly a national group, organised for the maintenance of justice and for other purposes, chiefly political; and it is by no means the same thing as Society. It is, in fact, a part, though an ill-defined part, of Society.

The distinction between the State and Society is shown clearly in a movement which we have already noticed—the growth of European nations. For national unity was not a form imposed by the Government: it was a quality developed in Society. A national community needed some kind of central Government for its full expression, but a powerful Government did not make a nation. Let us take as examples the French and Spanish monarchies in the sixteenth and seventeenth centuries and compare them with the Governments of England and Holland in the same period. Spain under Charles V. and Philip II. and France under Louis XIV. were dominant States in Europe. But in Spain there was nothing approaching

a national society; and in France, even when the monarchy was at the height of its power and efficiency, Colbert was checked in his economic policy because he was unable to bring about social unity or reduce the local barriers to trade. In England, on the other hand, a national consciousness was early developed, and the country had grown together economically before ever the central authority became powerful; and the result was that the English Governments, throughout the changes of the sixteenth and seventeenth centuries, had such a support in society as was unknown in France and Spain.* In the United Netherlands, with a Government that was largely federal and very little centralised, there was yet a strong and living sense of nationality.

Statesmen of that time, filled with enthusiasm for their national Governments,

* In his interesting lectures on *The English Borough in the Twelfth Century* the late Mr. A. Ballard contrasted the freedom of trade between English towns allowed in the borough charters with the local restrictions which were almost universal on the Continent. This internal freedom of trade must have had an important effect both in increasing prosperity and in stimulating a sense of common nationality in England.

and with a belief in the power of sovereignty, failed to see that a central Government does not necessarily imply national unity; and even with us to-day it is very easy to fall into the same mistake. Nevertheless, if the unwary are apt to miss the distinction between a people as a State and the same people as a Society, it is obvious to those who are forewarned. For all the great social and economic changes in history have sprung from below, from Society, and the action of the State has been to regulate, and often simply to oppose. The growth of national feeling is one illustration of social change: another is the growth of towns, which took place in the latter middle ages, and was particularly noticeable in the twelfth and thirteenth centuries. Just as nations have been welded together by a gradual process of individual activity and voluntary organisation, so in this earlier period town societies were formed by the growth of communal feeling among the townsmen themselves. Towns were not made by borough charters; but all over Europe, under as many different political systems as there were different

states, town communities were forming and were throwing off lesser organisations within themselves. It is instructive to compare the history of London in the thirteenth and fourteenth centuries with that of continental towns, such as Paris, Florence and Bremen, and to see how similar were the stages of development in the various cities and how remarkably they coincided in point of time.

The same principle applies to all economic progress. Successive forms of economic organisation—the craft gild and merchant society, the livery company or its equivalent, the domestic system of production, the regulated company, the joint stock company, the modern industrial system —all arose from Society, and most of them appeared throughout the western world: none was the peculiar product of one State or one type of government. There were differences in time and character; but on the whole a wide survey of economic history leaves an impression of Society in all civilised countries following the same line of development by similar means. The impression is still stronger if we take into account the

other aspects of civilisation—for whatever national or racial characteristics they may bear their fruits are common to all men.

In our own day there are two movements which show the spontaneous working of Society apart from the State. One is the growth of a social consciousness which has been a prominent feature of the last century. It is expressed in a widespread interest in problems of industry, housing, and public health, and persistent efforts to raise the general standard of life and to promote education. And during the war it has been wonderfully stimulated. There has never, in any previous war, been an approach to the zeal that has been shown in providing for the welfare of soldiers and sailors, in the relief of civilian victims, and in tending the sick and wounded. All these activities, both in peace and in war, arise from a new sense of social unity. This feeling finds its chief expression within the limits of a single state, but the other social change of the present day is international: it is, in fact, the spread of a spirit of association among the citizens of different States. And the international

movement, like all the others which we have named, has begun with individual enterprise and voluntary organisation. The present state of international relations shows that the movement is not of sufficient weight to be effective in practical diplomacy. Its operation is still in Society at large: it has not yet reached the stage of adoption by the State.

Other illustrations might be found in the history of almost any revolution, for revolutions are generally due to a disparity between Society and the State. In nearly every case the political constitution has failed in some respect to keep pace with the movements of thought among the people.

We need not be concerned, however, to elaborate the point any further: enough has been said to emphasise the difference between the State and Society. But there are two cautions which we should do well to observe. One is that although social and economic changes have seldom had their origin in statesmanship, political affairs have none the less had an important influence on developments in Society. We shall shortly

see, for instance, how the freedom of the British Constitution helped forward the Industrial Revolution. The fact that deliberate policy has usually acted as a check on economic progress need not prevent us from admitting that progress is helped by good government, since good government implies justice and liberty, which are conditions favourable to enterprise and advance.

This qualification must, however, itself be qualified. The justice and liberty which result from good government are not simply imposed on Society by its rulers. For, in the first place, the maximum of liberty is obtained by a proper balance between the coercive action of the State and the voluntary action of individuals and of organisations in Society. Further, the laws in a well-governed State, although in form they are the commands of a sovereign power to a subject population, have their origin, as a matter of fact, in the movements of thought which inform public opinion. And the Government which makes and administers the law is something more and something less than a sovereign body. Parliaments are both the

ruling authority in the State and the representatives of a national society, and it is the national society that has brought them into being; ministers are at the same time the servants and rulers of the community; and, in a constitutional country, the monarch is even more the head of a national society than the head of a national State. So the institutions of the State have a two-fold character: they represent both coercive authority and the opinion of Society.

The second of our qualifications is that in the last half-century Governments have not been content with providing political liberty alone, but they have taken a direct and increasing part in economic affairs. Although they have existed, and still exist, chiefly for political reasons, they have been able to adapt themselves to a large extent to economic functions. That is, the State has encroached a good deal on what used to be considered the preserve of the individual or of Society. The process still continues and may go very much further. It may continue until production by central and local authorities, by public bodies of all kinds, becomes the

dominant feature of the economic system. The change to public operation of trade and industry does not seem imminent, indeed; for it can hardly occur until men's tastes and habits have become very simple, or until mankind has acquired such command over natural forces that production can be carried on with great ease and without the exercise of much originality or enterprise. At the present time our tastes are so elaborate, and the production of material goods is so important and offers so much scope for individual enterprise, that neither condition is likely to be fulfilled in the near future. But even if our economic system were to become in a large measure collective the State would not have absorbed Society. There would still be an endless field for inventive and creative ability in the production of other than material "utilities." However far it may be expedient for Governments to extend their activities the distinction between the State and Society will remain. It will always be the business of the State to maintain the interests of its subjects wherever those interests—political, economic, intellectual, or

moral—can best be maintained by coercive authority. But the State can never take the first place : it must always be the servant of Society.

This conclusion is simple, but it is by no means in agreement with the view of many political thinkers. To Plato and Aristotle, as to all Greek citizens, the whole of life was bounded by the city-state, and the chief object of man's endeavour was the welfare of his town. Greek thought has exercised a continual influence on modern politics, and its effect has been to emphasise persistently the importance of the State. In the days of mercantilism, when modern nations had newly emerged from the vague system of mediæval Europe, the national State was readily raised to the position of the Greek city. To Hobbes and Rousseau, and to all mercantilist thinkers, the State, personified in the Leviathan or in some more popular form of government, claimed from its members a surrender of all their rights and interests. And from the time of Hegel the State has been regarded as a mystical, almost a spiritual, being. This view of the State is

particularly common in Germany and among those who have been strongly influenced by German thought. In many respects it is a sound and useful idea. It tends towards efficient government; it encourages patriotism, public spirit and self-sacrifice; it helps to bring idealism into the ordinary affairs of life. But it is beset with a great danger —which is seen so clearly in the writings of Treitschke and Sybel—the danger of setting an organisation above the objects of its existence. If it is forgotten that the State exists for the welfare of the individuals who compose Society, if it is treated as an end in itself, the conclusion almost necessarily follows that the State must acquire Power. For if we once admit the mystical idea of the State as an individual being it is easy to imagine that the welfare of the being depends on its strength, and the strength of States is almost always taken to mean military force. So a belief in the supreme and final importance of the State leads very readily to a disastrous faith in Power: to the impression that Power is the be-all and end-all of the State and that a struggle for Power by force of

arms is the inevitable destiny of every self-respecting people. Such is the outcome of the abstract view of the State. But, on the other hand, if it were generally recognised that the State is one organisation among many existing for the benefit of Society, a great part of the danger of international strife would have vanished.

In describing this last error of the mercantilists I have unconsciously fallen into the use of the present tense; and, unfortunately, the present tense is justified. The other beliefs of mercantilism are held in most countries to-day only in a weakened form; but this belief in the State as an abstract personality persists in almost unabated force, and until it is removed there can be no proper understanding of national interests. I have heard it said that one of the chief reasons for the present war was an inflated idea of the State, and every one who wishes to appreciate the underlying causes of the crisis should ponder this saying.

Some Forerunners of Adam Smith

Yet although so much of mercantilism

remains to our own day its position was already being assailed two centuries ago and even earlier. Courageous and open-minded thinkers in the seventeenth and eighteenth centuries both saw and proclaimed a better policy, and it is due to their merits that we should recall the fact.

There was Sir John Barnard, for instance, the great London merchant and politician, who, as a merchant, realised from practical experience that the mercantile restrictions had a cramping effect on trade: it was nearly always the manufacturer who clamoured for duties and the merchant who urged their removal. In 1732 Barnard, in a debate in Parliament on the export of sugar from the colonies, admitted that colonial trade was not in a satisfactory state, but added: "Help must come not by the heaping up, but by the withdrawal of restrictions upon trade. We ought never to make laws for encouraging or enabling our subjects to sell the produce or manufacture at a high price, but we ought to contrive all ways and means of enabling them to sell cheaply."

In the following year Patrick Lindsay, a

public-spirited Scotsman, wrote a pamphlet, *The Interest of Scotland Considered*, with a view of promoting the manufacture of linen. In this pamphlet he said: "If all our spare and idle hands were employed in the linen . . . the improvement of our other manufactures might be left to themselves, for it is more our interest to be served with several kinds of goods from England, so long as they can be bought cheaper in England and our linen sells to advantage there, than to be overstocked with any branch of business which we cannot export." In other words, let the Scottish people concentrate on the manufacture and export of linen, which would pay them well, and receive in exchange a variety of goods which could be produced and bought more cheaply in England—a suggestion which shows that Lindsay had a right understanding of international trade. Another great Scotsman, David Hume, the philosopher, expressed similar views and handed them on to his friend, Adam Smith, who worked them up into a complete theory which went far to demolish both the principles and practice of mercantilism. There were several other

liberal-minded economists in the mercantilist age, but I will only mention one of their number, Sir Dudley North, a financier and economist of the seventeenth century. In his *Discourse on Trade* North made a quaint and penetrating statement, conveying in a few words, and without qualification, the message which it is the main object of this essay to deliver :

" We may labour to hedge in the Cuckoo, but in vain ; for no People ever yet grew rich by Policies ; but it is Peace, Industry and Freedom which brings Trade and Wealth, and nothing else."

But even these enlightened thinkers who pointed the way of escape from mercantilism were not themselves quite out of the slough. Patrick Lindsay, for example, when he claimed that the linen industry would greatly increase employment in Scotland, did not advocate it as saving individuals from destitution and providing them with a comfortable living, but he said of the poor people who would find employment, " They would become our best fund for increasing our national wealth and strength." That is to say, he had the

State in mind rather than the actual living men and women. Did not Adam Smith himself, a leader of individualists, call his greatest work "The Wealth of Nations"? And does not the very name "Political Economy" suggest that the subject of study is not so much the welfare of human beings as the advantage of States—although happily the study itself is more humane than its title?

Note to Chapter IV

For general criticism of mercantilist theory see Adam Smith and Unwin, *u.s.* Descriptions of the theory of sovereignty can be found in histories of political thought, such as Sir Frederick Pollock's *Introduction to the Science of Politics*, Professor W. A. Dunning's *Political Theories from Luther to Montesquieu*, Mr. Gooch's *Political Thought from Bacon to Halifax*, and *The Divine Right of Kings*, by Dr. J. N. Figgis, and in Maine's *Ancient Law*.

The whole question of "the State and Society" is receiving a great amount of attention at the present day. It is a difficult and complicated question, and several of the issues which it raises have not yet been satisfactorily settled. In the early part of the nineteenth century there was a reaction against

mercantilism, and in the direction of individualism. This movement went too far in some respects, and in the last half century it has been opposed by a tendency towards collectivism. Now there is a fresh reaction against the State. (As a good deal has been said of the exaggerated emphasis laid by German thinkers on the importance of the State, we should notice that one of the authors of this reaction was the German jurist, Gierke.) The new movement has two parts : it is concerned in the first place with the internal affairs of a State, and in this matter it favours voluntary association ; secondly, it deals with international politics, and is represented on this side by certain branches of the pacifist movement. The modern reaction, like its predecessors, has shown a good deal of unreason in its opening stages. But on the whole its effect is salutary, for it shows us the State as one community among many, a community of a very special and important kind, but, like all the others, a means to an end, not in itself the supreme object of policy. And on the other hand, the national State is regarded as a stage in the extension of law and order, which will continue in the direction of an international community. As the question is still *sub judice* I have not attempted more than a brief suggestion of the points which bear most closely on the subject of this essay. But it will be seen that the connexion is intimate ; for our conception of the State will go far to determine our whole view of international relations.

The best consecutive account of the Collectivist movement is given by Professor Dicey in the

second edition of *Law and Public Opinion in the Nineteenth Century*. There is an excellent critical survey of the modern attack on the State in *Political Thought from Spencer to To-day*, by Mr. E. Barker, of New College, Oxford. The distinction between the State and Society is discussed in Professor Bosanquet's *Philosophical Theory of the State*. The view which I have described as the " abstract idea of the State " is criticised by Mr. G. Lowes Dickinson, of King's College, Cambridge, in his two pamphlets, *The War and the Way Out*, and *After the War*. For Hume's criticism of the mercantile system see his essays on *The Balance of Trade*, *The Jealousy of Trade*, and *The Balance of Power*.

Chapter V

THE BRITISH EMPIRE AND THE INDUSTRIAL REVOLUTION

Growth of the Empire

We have now glanced over the whole field of mercantilism; we have seen something of its character and its results; and I think it will be clear that the errors of thought involved in the doctrine would necessarily lead to estrangement and conflict. Every article of belief tended to draw the nations apart and to set up a rivalry between them, and the rival policies resulted in almost continual warfare. But as we reject a large part of the mercantilist doctrine we ought to be prepared to set some other principle in its place. Therefore we will take another example which may both help us to realise the force of our criticism and enable us to suggest an alternative theory of economic progress.

In the eighteenth century and the early part of the nineteenth there were two movements which, taken together, seemed to give great colour to the mercantilist beliefs. They were the Industrial Revolution and the growth of the British Empire. It was in this period that the British possessions steadily and rapidly increased until they formed the greatest Empire in the world; and in this same period Englishmen took the lead in the changes which are called the Industrial Revolution; changes and discoveries in agriculture and manufacture, commerce and finance, which led to an unexampled extension of trade and to the amassing of vast riches by the British nation. It was easy to place the two movements together as cause and effect; and when they were so regarded they seemed to yield a complete vindication of mercantilist policy. Spain and France had once been great; they had fallen; and now they were poor. They provided negative evidence. But Britain had grown great in the latter days and at the same time she had grown rich. Here, then, before the eyes of all men, was a positive example of the fact that

power and prosperity went hand in hand. Such was the natural belief of most people at the time of the Industrial Revolution, and such was the firm belief of the English ministries. The same idea, as we have noticed before, has strongly influenced the policy of modern Germany, and it is still very widely held.

Is this belief well founded? The answer may be inferred from what has been said already. In the first place, let us inquire how the British Empire actually grew up and how it has been maintained.* The process is best described by Sir John Seeley's celebrated saying, that "we seem, as it were, to have conquered and peopled half the world in a fit of absence of mind." Some parts of the Empire, Pennsylvania for example, were occupied in an entirely peaceful manner; others were annexed after some conflict with the native inhabitants, and some were won by the sword from other nations of Europe. For successive British

* Although we are dealing particularly with the British Empire, our conclusions can be applied, of course, to all States that have had colonies or dependencies.

Governments threw themselves heartily into the struggle for land, inspired not so much by the ambition to found an empire as by the idea of preventing rival States from becoming too powerful. In this struggle our armies, which were not always well led, met sometimes with reverses, but on the whole with success, and always showed courage and determination. Our fleets, manned half by real seamen and half by a rabble, and served by good officers and good gunners, arrived, towards the end of the eighteenth century, at a definite position of superiority. The country was possessed of great and increasing economic resources. And by virtue of these advantages, the British Government was able to withdraw many places, particularly in India, the West Indies, the Cape of Good Hope, and the mainland of America, from their partial subjection to other European States, and to bring these places more or less under its own control.

A large amount of force was used, then, in acquiring certain of the Colonies. We are apt to lay too much stress on the fact, for the real work of colonisation was done

after the first annexation and by peaceful means. The first struggle for possession did not even lay the foundations of the colony: it only served to remove or ward off rival claimants. Yet this preliminary contest was, of course, an intelligible part of eighteenth-century policy; for if at that time the British Government had not annexed and held certain parts of the Colonies some other Government would have taken them, and to the best of its ability would have closed them against British trade and British settlers. For the time being, therefore, it was a real advantage to a number of people in Britain that our nation should gain and keep possession.

We should remember, however, that the actual work of conquest directly affected only a small part of the Colonies. The great mass of the Empire was occupied gradually by peaceful penetration and sheer enterprise, and has been maintained without coercion. And, as we have seen already, even those territories which were seized by force would have been of greater benefit to every one if they had been thrown open to the trade of all nations. Such a policy would not only

have produced a solid economic gain; it would also have removed the chief cause of jealousy. There might still have been some political friction, but if the statesmen of the eighteenth century had cast aside the idea of exclusive possession all occasion for the more serious economic rivalry would have been taken away. Force was used, then, in the acquisition of colonies, not because there was any necessity for an absolute, exclusive ownership, but because the Governments conceived that their advantage lay in that policy. In other words, the virulence of the struggle for colonies was due to the fact that almost every one believed in the mercantile system.

Rule of the Empire

So much for the manner of acquiring the Colonies. Next let us see how they were held. Compulsion was also used in the early days in their government, but in this case it was even less justified than it was in dealing with rival States. The original method of treating the Colonies was, as we have seen, to subject them to the rule of the Home

Government; to prevent them from trading directly with foreigners; to constrain them in every department of life to serve the interests of the mother-country. Such a policy, however, was not necessary or wise. It could not be carried fully into practice, but even its partial application went near to breaking up the Empire. The attempt to rule the American Colonies on mercantilist lines led to their secession. During the American War similar causes led to such discontent in Ireland that the English Parliament was compelled to grant to the Irish a great measure both of self-government and of economic freedom; and the freedom of trade was still further extended by the Act of Union. Early in the nineteenth century Spain completely lost her South American possessions through trying to enforce the same methods of mis-government. At this time and in the next few years the Canadians were impelled to more than one insurrection; and at length our statesmen, acting on the counsel of Lord Durham's epoch-making commission, granted to the Canadian and the other Colonial Governments almost complete

freedom in determining their law, their constitution, their administration, and their economic policy. If our statesmen had clung to the mercantilist treatment of the Colonies, the British possessions of the nineteenth century might have been no larger than those of the twelfth, and the Isle of Man and the Hebrides might well have been outlying parts of the Empire.

We conclude, then, that in the formation of the Empire the exercise of force—great as were the labours and splendid as were the achievements in themselves—was based, not on any final necessity, but simply on the rivalry between the European Powers; and that the rivalry was due to a general, and ill-founded, belief in mercantilism. And inside the Empire we have seen mercantilism acting as a disruptive force which would have destroyed the whole fabric if it had not been abandoned in time. The solid task of Empire building was carried out by the enterprise of individual workers, who delved and quarried and mined, cleared the land, harvested the sugar and cotton and corn, herded the sheep, set up the manufactures, built

the harbours and railways and dwellings, made the laws and administered the affairs of State. If the efforts of the first settlers had resulted only in our possession of subject lands, held down by force, exploited for our own benefit, and retained, in Schmoller's phrase, "with the most tenacious national selfishness," we should have little satisfaction in reviewing the history of the Empire. But actually the growth of the Empire has meant the opening up of natural resources and new channels of trade over a large part of the world, the spread of civilisation, the establishment of free and well-ordered communities. And these benefits have not been confined to our own people but have been thrown open to all mankind. Such are the great and lasting achievements, and they are the result, not of a policy of national exclusiveness, but of enterprise combined with a free system of government.

The Industrial Revolution and the Empire

The other process which we have to examine is the Industrial Revolution. This wide and

complicated movement does not admit of any simple explanation; it was involved with every side of economic and political life. We cannot, therefore, undertake the long process of exploring and examining its causes, but we must content ourselves with trying to answer two questions: How far was the Industrial Revolution due to colonial expansion? And why was England in the forefront of the advance?

I will answer the first question very briefly. Colonial expansion had a considerable influence on the Industrial Revolution; for the Colonies provided stores of raw material and produce for consumption; they also served as fresh markets for European goods, and the extension of markets was an important factor in the Industrial Revolution. But the matter of real moment was the economic development of the new lands, not the mere possession of them; and, as we have seen already, the development would have been more rapid and beneficial if the colonists could have been given a free hand in their own economic affairs. Mercantilist doctrines and rivalry between European States made any such

liberal treatment impossible. It follows, then, that although the existence of the Colonies was of great advantage in helping forward the Industrial Revolution, the policy adopted for their government was actually a hindrance.

We may use this conclusion in answering the second question, for it would lead us to surmise that although colonial expansion was a cause, it was not, as Professor Schmoller suggests, a main determining cause, of our commercial supremacy in the eighteenth century. Another consideration tends to the same belief. Colonial trade in the eighteenth century was very largely trade with the West Indies or with the mainland of America ; and although Britain certainly held large tracts in both these parts, so also did other countries. Spain and France both shared in the possession of the West Indies ; a great part of the South American colonies were subject to Spain ; France had a large interest in North America until after the middle of the century ; and after 1783 all nations could trade with the United States on equal terms. Therefore the Industrial Revolution was far advanced before

the English ascendancy in colonies and colonial trade became at all marked.

Now any thorough going mercantilist would agree with Professor Schmoller that our commercial supremacy was due primarily to "Tariffs and naval wars," to power and policy. The arguments which we have just considered would lead us to doubt whether power, as shown in the possession of colonies, was a first and essential cause. And, in regard to policy, no person in this country except a complete mercantilist, if there be any such, would now suggest that the prodigious restrictions imposed by the eighteenth century tariffs, however much they might benefit particular classes, were of any advantage to trade as a whole. But if we reject these answers to our question we assume responsibility for finding some other answer. It is impossible, of course, to attempt a full explanation without dealing at length with the causes of the Industrial Revolution; I would suggest, however, that a reason of the first importance was the exceptional amount of freedom allowed by the British Constitution — both individual freedom of

action and absence of restrictions on trade.

The Industrial Revolution and Liberty

Perhaps it may seem strange that we should speak of exceptional freedom in England of the eighteenth century with its high tariffs, its aristocratic rule, its faulty local government and bad colonial policy; and indeed if the law and administration of two hundred years ago were restored to-day there would be little popular rejoicing at the change. But if the British Constitution be compared with that of any other State in the eighteenth century it will be seen that Britain might well be called a free country. The English people, as Professor Dicey has said, were pleased with their system of government, not because it approached an ideal standard, but because the British Constitution was superior to anything that they found on the Continent. They could look round on the other nations with an agreeable sense that they were the freest people on earth. Only one nation could compare with the English in freedom, and that was the nation which could best

compare with our own in trade. Holland, like England, was in a favourable position for trading both in Europe and in the eastern and western oceans. Her population was industrious and enterprising. But besides these advantages her constitution allowed a great amount of individual liberty, and her excise and customs duties were exceptionally low. The Dutch at the same time were our chief rivals, and to some extent our instructors, in trade; and when we find that the two freest communities in Europe were also the most prosperous we may suspect that their liberty was one source of their welfare.

The whole study of economic history tends to the same conclusion. For economic advance has been brought about by the action of enterprising people who strike out from the established paths of trade, adventure in fresh markets, bring goods from distant parts of the world, discover new processes and found new industries, and develop fresh forms of organisation to meet new conditions.

Since the time of Adam Smith it has generally been supposed that economic progress was chiefly due to specialisation—to the

"division of labour." But although the division of labour has played a large part in the growth of trade, the opposite tendency—the extension of enterprise into many different fields—has been equally important. In fact the regular method of advance has been, first, extension—the adoption of several different lines of activity by the same person—and then specialisation in those lines which yield the best return. But it is enterprise that discovers the fields in which specialisation can best take place.

I will illustrate this principle by one of its most conspicuous examples, the rise of banking. All the early bankers were originally merchants or manufacturers or shopkeepers, who took to storing money and valuable goods for their customers, investing savings for their friends, advancing capital for manufacture, and discounting or accepting bills and promissory notes. These undertakings, if they were well managed, often proved very remunerative, and the merchant, or manufacturer, devoted more and more attention to them, until in many cases he found it worth while to dispose of his other branches of

business, and became simply a banker or a financier. So the Couttses, for example, were corn merchants and commission agents as well as bankers, and one of their partners was an importer of tobacco and dealt also in letters of credit for travellers. The Barclays were drapers, brewers and West India merchants. David Dale, the father-in-law of Robert Owen, and the partner of Jeremy Bentham and William Allen, the Quaker, was a silk mercer and a cotton manufacturer, but in his later years concerned himself chiefly with banking. Nathan Rothschild made his fortune as a cotton manufacturer, dyer and merchant in Manchester, and then took to finance. All these leaders of trade, and many others—for the examples could be extended over the entire field of banking—were serving by their enterprise, not only themselves and their descendants, but the whole of society. For banking and finance are the very pivot of that wonderful economic organisation which has enabled mankind in the last century to gain immense power over the forces of nature and to make unparalleled progress in trade and industry.

Banking is only one illustration of the process of economic extension. It may be worth while to mention a few other examples in order to show the very wide scope and continuous importance of the process throughout the course of history. If we glance back to the Middle Ages we may see the tendency at work in the rise of the draper's trade. The drapers were apparently woollen workers in the beginning ; then they became merchants ; and once again they returned to manufacture, but this time as employers of the weaving and finishing crafts. In the early Middle Ages, cloth weaving was carried on in country districts, but it spread to the towns and became a characteristic town handicraft. In the sixteenth and seventeenth centuries enterprise brought it back to the country, where it could escape from the restrictions which hampered the town worker and brought many ancient boroughs to decay. The case of the drapers showed us the same class of people as merchants at one time and manufacturers at another. This interchange of functions has been taking place continually for several centuries in many trades. The mercers, for

example, although they seem always to have been connected with the silk trade (their early history is rather obscure), were certainly at one time very general dealers; and notwithstanding the fact that they were prevented by the rules of their trade from taking part in manufacture, they contrived indirectly to employ a variety of handicraftsmen, even coachbuilders and makers of household furniture. In the eighteenth century cotton manufacturers and machine makers in Lancashire became merchants, and merchants became industrial employers; and, among the manufacturers, spinners branched out into weaving and weavers into spinning whenever they found an opportunity. In Ireland at the same time the bleachers, who were the chief capitalists in the linen trade, not only worked on other people's goods, but took to buying yarn for themselves, hiring weavers to make the web for them, and exported the cloth when it had been bleached and finished. So they became manufacturers, bleachers and merchants. In our own day the examples are still more conspicuous, and so common that we hardly realise their significance:

the great stores, which include all manner of wholesale and retail trade and manufacture; the joint stock company, with directors who are actively engaged in half a dozen different branches of industry or commerce; or the ordinary mill, with an owner who is equally an employer, an administrator and a merchant, and is often an inventor as well.

I have allowed these illustrations to run to some length in order to emphasise an important principle. They help to show that enterprise, particularly in the form which I have described as "extension," is of the essence of economic progress. And in order that this extension may have full scope, in order that capital and enterprise may flow freely from one place to another and from one trade to another, in order that new inventions may be exploited and new methods of organisation developed, there must be a large amount of individual liberty. Freedom, in fact, is one of the main conditions of prosperity.

There is a passage from Humboldt's *Sphere and Duties of Government* which J. S. Mill took as the text of his essay *On Liberty*:

" The grand, leading principle towards which every argument unfolded in these pages directly converges is the absolute and essential importance of human development in its richest diversity."

Humboldt was speaking, of course, of the general advance of civilisation, but the principle is equally true in its application to economic progress. Individual liberty is, as Mill pointed out, in part a matter of public opinion ; but it is also a matter of political organisation. And Englishmen have been exceptionally fortunate in the enjoyment of freedom of both kinds ; in the spirit of tolerance and compromise which, in spite of many backslidings, they have on the whole shown to one another, and in the amount of liberty allowed by the political constitution. I should like to say something of the way in which these forms of liberty have been achieved, and to deal as well with the other interacting factors of competition and co-operation which have affected our economic development, but this inquiry would carry us too far from the main line of our argument. We will only notice in passing that two chief

causes of the growth of liberty have been the attainment of national unity, both economic and political, and the system of representative government, which brings before the minds of those who make and administer the law the interests of different trades, classes and districts.

We have seen something of the importance of liberty as a cause or condition of prosperity, and I submit that it was one of the chief reasons for the rapid advance of the Industrial Revolution in this country. Now it is evident that the restrictions imposed by mercantilism ran directly counter to the individual freedom which was of so great benefit to our country. A good deal has been said of these restrictions already, and we need only remember by way of example, the efforts of the Tudor rulers to prevent new developments in trade: their attempts to maintain decaying boroughs and to check the growth of new towns and rural industries; their attempts to keep the farmer to his plough, the craftsman to his craft, and the merchant to his trade; or we may remember the monopolies granted by the Tudor and Stuart monarchs, which were a direct

obstruction to enterprise. These were characteristic measures of mercantilism; and if they had not been defeated by the action of the people themselves the economic development of England would have been seriously delayed, and we should not to-day have arrived at our present stage of progress. There were, as we have seen, two branches of the mercantilist policy, the domestic and the foreign. Of these two branches it was the former, the domestic, which had largely lapsed, to the general advantage of society. The foreign policy remained almost intact until the nineteenth century.

It is interesting to notice that the attainment of freedom in domestic affairs was rather a happy accident than the result of a deliberate plan; for it was mainly brought about by the parliamentary party, who broke down the absolute power of the Stuarts and set constitutional government in its place.* Their chief object was to safeguard political freedom, and political freedom brought

* But we should remember that ever since the Middle Ages there had been considerable freedom of economic intercourse in England. *See* above, p. 76 *n*.

economic freedom in its train; so that the reformers, without realising what they were doing, rendered in fact a double service to the country. The gain would have been still greater if they had shown a similar spirit of liberty in foreign and colonial affairs. But the idea of throwing open the Colonies to foreign trade or allowing them to control their own policy did not present itself to the Governments of the seventeenth and eighteenth centuries. It would have implied an extent of political and economic enlightenment which was found only in a few individuals in that period.

Our advantage in the Industrial Revolution, then, was not at all a matter of policy. Such deliberate policy as there was tended rather to restrict trade at home, and still more to restrict foreign trade because of the idea of national exclusiveness. The strength of our position lay in the casting away of domestic restraints, and the freedom of individual enterprise, which resulted, not from a conscious design for the benefit of commerce, but from measures carried out for political ends.

Chapter VI

MERCANTILISM AT THE PRESENT DAY

Survivals of Mercantilism

If we compare the theories of the mercantilist period with those of the present day, it will be clear that the old doctrines are no longer held in their crudest form. They are neither set so plainly before the minds of statesmen nor believed with the same strength of conviction. Nevertheless they remain as vague assumptions and still influence the whole atmosphere of international politics. Every day we meet with statements founded on mercantilist ideas. Sometimes the claims of sovereignty are heard. They are not, indeed, proclaimed as loudly as in the seventeenth century; but thousands of people to-day are apt to look for economic support, not so much to fields and workshops and exchanges, to their own enterprise or co-operation among themselves, as to govern-

ment. And they are even more ready to blame their Governments for every failure of prosperity. Politicians, also, still credit their parties with a quite impossible power of social and economic beneficence. Again, we continually find countries personified, and individuals treated merely as parts of a single organism, the National State. This is a very common practice with some historians, and many evils and misunderstandings may flow from it. As an example of this point of view we may notice Sir John Seeley's saying, that "History is not concerned with individuals except in their capacity of members of a State." Certainly it is convenient to speak of France or Italy or the United States in a metaphorical sense, when we really mean the Governments of those countries, or even to use the words "Germany" or "Berlin" in place of "the Prussian military party." The names, however, are often taken without any reservation to imply a whole community with a single set of beliefs, sentiments, and interests, whereas a moment's reflection would show that no such community has ever existed.

Above all, the idea of national interests remains—the greatest and worst survival of mercantilism; and it is, as we observed at the beginning of this essay, one of the main underlying causes of hostility between peoples. We have seen how mercantilism led to strife in earlier centuries, and clearly the remnants of similar ideas must tend to-day in the same direction. Perhaps it would be enough to leave the matter there and to conclude *a priori* that modern wars, or the spirit and beliefs which make them, are largely a legacy from mercantilist days; but I think that one or two illustrations will make the conclusion more interesting, and perhaps more convincing. Let us take our first illustration from the present war. The crisis began with a dispute between Austria and Serbia. This dispute goes back at least to 1878, when the Slavonic States, Bosnia and Herzegovina were occupied by the Austrians; and it almost led to blows in 1908, when those States were annexed to the Austrian Empire. In some part the quarrel is due to the dynastic policy of the Austrian Crown; in some part to the internal affairs

of Hungary. But underneath the persistent and increasing friction was the feeling that national interests were at stake, that the rise of a new power in the south of Europe would bring ruin to the Austrian State. The quarrel with Serbia brought the Russian Government into the field. Religious and racial motives strongly influenced the Russian mind; yet, as every one knows, there was an ancient jealousy between Austria and Russia, based very largely on the "conflict of national interests." Finally, the entry of Russia into the quarrel involved four other great Powers; and this fact brings us to a point of fundamental importance. For the grouping of nations by means of treaties and understandings is almost entirely a relic of the mercantilist age and of mercantilist ideas. The object of the alliances is to maintain the balance of power, and the object of the balance of power is to prevent any single State or group of States from becoming so strong that it can trample on the interests of other nations. The whole system is based on the assumption that a State is an organic unit, with united interests which conflict

with those of other States; and that these interests can be safeguarded by alliances with comparatively friendly Powers to hold in check the Powers that are comparatively hostile and dangerous.

The causes of the present war are very much bound up and confused with political and religious matters. I shall have to say something more of these complications directly, but first, in order to see the main currents of international affairs more clearly and simply, let us take an imaginary case. We will suppose that Russia and Austria have quarrelled about the possession of Constantinople and have gone to war to decide the point. The supposition may not seem as likely to-day as it might have done a few years ago; but no one who remembers the power of recovery shown by the Austrian State in the past, or the rapidity of changes in international politics, will say that it is impossible.

What are the grounds of the dispute? Evidently each nation wants to possess Constantinople in order to have access both to the Black Sea and the Mediterranean in time

of war, and to prevent the other nation from having similar access. But the advantage of holding Constantinople would appear only in case of war. In peace there would be no appreciable advantage. The only condition of importance in time of peace is that merchant ships should have free passage to and from the Black Sea, and that would be the case whatever Power owned Constantinople. For the rest a few people of the ruling nation might gain by the occupation because they would be employed in the administration of the city, but on the other hand its government would be a difficult and troublesome matter: Constantinople is the sort of town that Governments might contend for but would be reluctant to take as a gift. The desire to hold Constantinople, then, is based on the assumption that wars are likely to take place in the future between Russia and Austria. But why will they take place? The only comprehensive answer is that the national interests of Russia and Austria are in conflict, and their opposition may lead at any time to a rupture of peace. So we are brought back again to the idea of national

interests, and so we should be every time if we were to study in detail the causes of all modern wars.

Non-Economic Motives of Warfare

I do not want to exaggerate the importance of this idea. I do not want to suggest that the conscious desire for national wealth is the chief motive of the rulers who make wars and the subjects who support them. In speaking of the present crisis I pointed out that there were many complicating factors besides this economic principle. We have seen their general character already: we will consider the leading factors now in turn and try to make a rough estimate of their importance.

National Honour

In the first place there is the question of national honour. This sentiment is conspicuous to-day in Europe, and in the future it may play a large part in the enforcing of international law. It is conceivable, too, that conditions may arise, quite apart from any economic interests, which may recall

national honour into play and produce a state of war. But the acts of offence and aggression which give rise to such conditions are nearly always connected with national interests ; so that in most cases if the economic motive were absent the offence would not occur. If ever a whole nation were moved by a sense of honourable obligation it is the British nation in the present war ; but the obligation has only arisen because the German Government has pursued with particular zeal a policy largely dictated by the idea of national interests.

Religion

Religious motives, involving very similar emotions, may be taken next. An instructive comparison might be drawn between churches and nations, showing that in both cases a policy of tolerance and co-operation is desirable on every ground ; but that would lead us far from the course of our argument. The point that is directly important for us is that wars have very seldom been fought with purely sectarian motives. Even the Wars of Religion, which took place more

than three hundred years ago, were closely involved with economic affairs, and apart from commercial rivalry their scope and intensity would have been much reduced. We must admit the possibility of purely sectarian strife; yet, with the increase of tolerance that has come in the meantime, a religious war, unmixed with economic interests, is even less likely than it was three centuries ago. We have noticed the example of Russia. Undoubtedly the mass of the Russian people are deeply stirred by devotion to their church and hostility to those who have injured it; but their indignation would never have been aroused if it had not been for a policy on the part of the Austrian Court which had at any rate one root in economic affairs.

National Feeling

Next to the motives of national honour and religion we will place national feeling. The European War is held, and rightly held, to have shown that the "principle of nationality" is still strong: that even among the most civilised peoples there is not yet such

a feeling of tolerance and friendliness that the members of one nation will refuse to fight against the members of another. All men, in fact, are keenly conscious of the differences between their own nation and others—differences in social and political customs and in mental outlook—and they are determined that no foreign Power shall impose other habits and institutions upon them. This is not an ideal condition of life, for it means that men's hearts are small and their sympathies narrow. But it is natural, and it is the state of affairs which actually exists. Moreover many people in Europe at the present day are subject to alien Governments which by no means answer their needs. And I fear that some of them must remain in subjection for a considerable time to come; for not all Governments are willing to respect the principle of nationality. Undoubtedly when the principle is fully observed, when racial and national boundaries are made as nearly as possible to coincide, and the fear of their violation is removed, there will be little likelihood of international conflict. There may still be disputes as to the

proper method of government, and the disputes may be contested by force of arms; but they will be confined to one country, and the result will only be civil war, which, from the point of view of the world at large, is a less serious evil than warfare between nations. However, in the meantime national feeling, or rather the disregard of national feeling, must remain a dangerous factor in the world's politics.

We have seen in the case of national honour and sectarian feeling that they are much more likely to become active if national interests are involved. Can we speak in the same way of national feeling? Is it to any extent based on a sense of economic rivalry or a desire for economic welfare? The connexion, I think, is very slight. In some cases people do believe that national independence will be of material benefit to them —as, for instance, the jaunting-car driver in Dublin who expected that the tramways would be abolished after the passing of the Home Rule Act. The discontent, also, which gives rise to the demand for independence is generally due in part to poverty or economic

oppression. Nevertheless, if all economic factors were set aside there would still remain customs and traditions and ambitions strong enough to produce intense national feeling, and to cause an upheaval if the sense of nationality were not respected. The free inhabitant of ancient Rome was proud of his citizenship not because it brought him wealth, but because of the greatness of his State and its mission to rule the world. And the sense of nationality in modern Europe is not at all dependent on the belief in conflicting interests; it is a sense of kinship, an extension of family feeling, which needs not to be cemented by common economic aims.

But, as I have suggested already, the cause of conflict is the disregard of nationality, not its mere existence. Therefore, in order to see fully the connection between nationality and warfare we must ask not simply why national feeling exists, but why Governments are induced to trespass against it. Now, this is the main question at issue in our discussion—the question why aggression takes place; and I have tried to show that mercantilist ideas are one of the main underlying

causes. We have just seen, indeed, that religious motives may lead to aggression, and we shall have to notice directly one or two other causes. But the point of immediate importance is that nationality itself may also become aggressive. A people may be so strongly impressed with the virtues of their own race that they fail to consider the feelings of other races. In the first place, many people enjoy the sense of belonging to a great nation, to a race that stands in the van of civilisation, and has wide political power. They like to patronise the inhabitants of smaller States as town-dwellers like to give themselves airs in the presence of rustics. But this feeling alone would never lead to warfare, although it has some weight in international politics.

Another expression of national spirit, however, is much more serious. From time to time certain races are impressed with the belief that they are destined to rise to world-wide power. We have noticed the case of the Romans, who were fully conscious of their mission as a ruling race. And in our own day we are confronted with a similar belief in the mind of the German people.

I think that we are apt, in time of war, to lay too much stress on German ambitions. I do not believe that the whole German nation would ever be willing to burst forth on a wanton career of conquest and to send its army pressing on like the army of Alexander from country to country, wherever a hostile force offered a target for its attacks. The general opinion in Germany seems rather to be that if the nation were left free to follow its natural course, it would achieve greatness; but that other nations—the British above all—stand in the way, and have been preparing to intervene by force of arms between the German people and their destiny. So national ambition has resulted in a mixture of defence and aggression, and it has been a disturbing and dangerous factor in international affairs.

This ambition is not in any large measure economic. It implies a general wish to spread over the world the Teutonic system of government, and all in the way of social institutions and thought and civilisation that is implied in the word *Kultur*. Nevertheless, the whole range of ideas on which German

policy is based is, as we have seen, a revival of mercantilism, and if the German people were released from the sway of mercantile principles they would be more disposed to use influence and example instead of force in the work of advancing civilisation.

There is a third outcome of national feeling which is likely in the future to be more important than mere ambition. It is the desire of colonists to settle in lands governed and inhabited by their fellow countrymen. This desire is natural and inevitable, and it leads to difficulties of which Germany again shows a conspicuous example. Undoubtedly one reason—a main reason—of the efforts of Germany to gain colonial possessions is the attempt to satisfy this demand of her citizens. British subjects would not feel happy in settling in the Colonies if they had to live among alien people, learn a strange language, use fresh manners and customs, and submit to a new system of law and government. A great part of the emigrants from Europe do, as a matter of fact, settle under these conditions, and many of them are well pleased with the change. But they are generally

subjects of small or backward States, who have never expected any other lot in life, and accept the conditions as a not unwelcome necessity. The case is very different with members of a powerful and ambitious nation, who are proud of their own law and customs, and feel that their race ought to be one of the great colonising races of the world. We cannot blame either Government or citizens; but as the most desirable parts of the earth are already apportioned to other countries their ambition is inopportune and creates a very difficult problem.

The ground of this ambition is a sentiment —the love of home and of homelike conditions—and, like the other expressions of national feeling, it would remain if all idea of economic interests were taken away. Certainly in this case, as in the others, if the leading nations were released from mercantilism there would result a growth of tolerance and a readiness to compromise which would make the solution of the difficulty a much simpler matter. But the problem would not be entirely solved. It is really one part of a great and serious question—the question of

the settlement of different races in the same country. Other aspects of the problem are seen in the migration of Indians to South Africa, of Chinese to Australia, of Japanese to the United States. Whatever the final solution may be, whether it be found in the method of reservation, or in any other system, or no system at all—but in enduring what cannot be cured—the question is likely to tax the judgment and intelligence of statesmen for some time to come.

Dynastic Ambition

The last fundamental cause of warfare that we will consider is the ambition of rulers, and I mention it only to point out that it has lost nearly all its importance. We may find some traces of dynastic ambition in the policy of the Hapsburg and Hohenzollern houses, but their policy is only possible because it is at one with the aspirations of the whole people. The unity of Germany and of Austria is closely bound up with the history of the two imperial crowns. The Emperors are regarded by their subjects with real affection because they seem to typify the national

spirit. But if they were to trespass against the wishes of their subjects and to follow a line of policy clearly based on personal ambition alone, the nation would not support them.

The chief distinction in principle between warfare in the Middle Ages and modern warfare is that mediæval disputes were largely personal and modern disputes are largely national. In feudal times every man took arms in support of his natural leader as readily as men take arms at the present day in defence of their country. If we consider the careers of Charles the Great, Hugh Capet, and William the Conqueror in the earlier part of the Middle Ages, of Charles the Bold, Edward III. and Henry V. in the latter part: and if we contrast their undertakings with those of Louis XIV. or Frederick the Great or Napoleon we shall see very clearly the difference between feudal war and international war. Louis, Frederick, and Napoleon were all ambitious men, but in so far as they were successful they only succeeded because they had the support of a united nation, because their policy was designed

for the service of the whole country, and they waged, on behalf of the people, wars for trade, colonies and national power. So, at least, their people believed. To-day the influence of personal ambition is still weaker. We need not regard it, therefore, as a serious menace to international peace in the future.

We can realise the importance of this point more fully if we compare international contests with disputes within a single State. In the early Middle Ages the commonest form of domestic dispute was the family feud. As men's interests became less personal and more political, the feud developed into the faction fight. At length, with the increase of tolerance and public spirit, the faction fight has been replaced by party government, subject to law. So, in disputes between nations, the wars of the Middle Ages were, like family feuds, largely due to personal rivalry and personal ambition. In modern times we have reached the stage of national warfare, which is the faction fight on an extended scale. And there are already signs that civilised races are passing on to a third stage—of international politics subject to

international law. We see, then, that personal ambition is a declining factor in the world's history.*

Strategy

The other chief occasions of war are nearly all strategic. Jealousy arises from the desire for coaling stations and harbours in distant seas, for the command of important waterways, or for defensible frontiers at home. This jealousy, however, would not exist unless there were an expectation of wars to come, and there would be no likelihood of wars apart from the deeper causes which we have examined. Therefore we may set aside strategic considerations, and for the same reason we may neglect the proximate causes of conflict—the grievances which appear in every declaration of war and the irreconcilable

* We must admit an exception in the case of the Balkan States. But this exception may not endure very long; and there may be more harmony in those States between the opinion of the Court and that of the nation than we are disposed to believe. However this may be, the general statement remains true that the personal ambition of rulers tends to lose force in international affairs.

details of policy which lead directly to the breakdown of diplomacy.

Importance of the Economic Motive

Now, after this review of the different causes of warfare, let us try to set the economic causes in their proper relation to the rest. We have seen that if all economic misunderstandings were cleared away there might still be troubles on religious, colonial, or national grounds. But we have seen, too, that without the admixture of commercial rivalry these occasions of dispute would scarcely be intense enough to provoke an appeal to arms. For is not the spirit of aggression itself a legacy from the days of mercantilism? Most people of the present generation assume without question that a growth of territory and power is good for any nation. They have not yet realised that in determining the boundaries of States the only matter of true objective importance is to see that national divisions agree as nearly as possible with national sentiment; and that any attempt to overstep these limits is dangerous to the world's peace and is of no benefit even to the

aggressors. Men still strive for power because they believe it to be beneficial to their State. But take away this belief, and little inducement for aggression will remain. And since —as I have tried to show throughout this essay—this belief in national interests has no foundation except in mercantilism, it follows that if we can only escape from mercantilism we shall at the same time very nearly have escaped from international warfare.

Let us take one more illustration from the present condition of Germany. The opinion, expressed by Professor Schmoller, that British prosperity has been due to successful warfare and successful policy, is almost universally held among the Germans. It has moulded German statesmanship ; and Prussianism has been very largely an attempt to imitate the success of the British Empire and to promote prosperity by means of power. There has been an attempt, it is true, to promote civilisation as a whole by the same means, but the economic motive has been particularly strong. What has the result been ? History has repeated itself in a curious manner. Internal freedom of trade, good

social organisation, and a vast amount of well-directed individual enterprise have produced an immense development of wealth and trade in Germany as they did two centuries ago in England. The development has come, in Germany as it did in England, *in spite of* the policy of power; but the German people believed that the policy was the main cause of their success, and, acting on their belief, they supported the Prussian system—which is the modern expression of mercantilism—until it involved them and the whole of Europe in the present disaster. "'Blood and Iron' could drive other nations off German soil; they could even, in Bismarck's handling, cause a great psychological revolution in the political feeling of the German people. They could not possibly be made fruitful for economic progress. . . . (Germany's) only avoidable handicap has been the great Prussian fleet and army which she has deliberately imposed upon herself. Their creation, upkeep, and increase have steadily taxed her economic growth, and their existence has tempted her, in her foolish trust in their efficacy for her ulterior objects,

to risk all her economic gains by bringing them into action. This policy of Germany's has been an immense mistake. It can work her no good, but it has a vast potentiality for working both herself and the rest of Europe evil."*

This belief in power as the basis of prosperity has clearly been the strongest cause of Germany's aggressive actions. Now, if we imagine that by some good fortune the German people realise their mistake and change their policy accordingly, it is equally clear that they will largely, if not entirely, abandon their aggression. As I have already suggested, they might still hold to the belief in their mission to civilise the world, but they would in all probability realise that as the force of arms cannot achieve prosperity, so it cannot achieve any other branch of civilisation.

We may reasonably apply to other nations the conclusion which we have drawn from the outstanding case of Germany, that if the principles which I have tried to describe in this essay were generally understood, if the

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* Arnold J. Toynbee, *Nationality and the War*, p. 29.

world were set free from the remnants of mercantilist ideas, there would be comparatively little ground of dispute, and so little international jealousy that when disputes did arise the Governments would be disposed to appeal for their settlement to justice rather than to warfare.

Note to Chapter VI

We may compare with this conclusion the opinion of Mr. F. S. Marvin (*The Living Past*, pp. 259, 260) :

" Commercial rivalry as a cause of war goes back of course to a time far anterior to our present chapter. It has been pressed so hard as a motive in history that one school of writers would make it the leading interest, and show us the eighteenth century as primarily the period of the contest between France and England for the markets of India and America. No one, remembering the conflict of Spain and England in the sixteenth, or of Holland and England in the seventeenth centuries, will underrate its importance. But even then it was by no means the leading motive. It played a prominent part, too, in the eighteenth century, though inferior to the other causes which were guiding events before the Revolution. In the nineteenth it has again been present, but the curative effects of commerce have been at work even more vigorously. Rivalry for markets

has entered largely into nineteenth-century wars, especially those—the majority—which have been waged by stronger on weaker and less civilised people. But now more and more men are ready to assert that almost any war, at least between fairly equal Powers, would cost more, dislocate more, prevent more commerce, than it could possibly recoup by conquest or indemnity. This conviction would not prevent war, but it accounts for the strictly defensive tone which is almost universal. We all arm to the teeth, but purely to avoid the terrible calamity of any one attacking us."

I am inclined to think that the " other causes," to which allusion is made in this passage, could not be very readily or completely disentangled from economic affairs. But in other respects the passage seems to me to convey a true idea of the importance of the economic motive.

Chapter VII

FUTURE DEVELOPMENT

Progress by Experience

This conclusion can hardly be gainsaid, but in itself it is not very satisfactory or encouraging. Is the progress of international affairs to be arrested until all men have grasped these principles; until they have read so much of history and politics and economic science that they can individually refute the doctrines of mercantilism? It is often said that society can only progress by means of reason. But if by reason we mean the process of collecting data, constructing principles from them, forecasting from the principles the result of certain conditions or lines of conduct, establishing an ideal and working towards it, then we must admit that reason is not very highly developed in the mass of mankind. Happily there is an

easier way available for all men. It is the method of learning by experience, a method which involves little reason and is more nearly akin to intuition. A considerable part of the progress of civilisation, both in the mastery over natural forces and the organisation of society, has taken place in this way. Some evil or discomfort has suggested a need and the need has suggested a remedy. In particular, conflicts between human beings have led to some improvement in organisation which has prevented a recurrence of the evil. Either because the conflict has grown in intensity or because society has advanced in other respects there arises a widespread sense that the evil is intolerable, and general consent is given to the change which will affect a remedy. In all the study of history I think there is nothing more encouraging than to see how from the mistakes and shortcomings and disputes, which I have described as the negative side of history, good at length emerges; how that quality which Stevenson called "the fundamental decency of things" asserts itself; how from the conflict of interests a common

interest arises and a definite advance in civilisation is made and secured.

History is full of examples of progress based on experience, and law and order emerging from conflict. It was the bitter experience of the Irish famine that finally made possible the Repeal of the Corn Laws. It was the dreadful disturbance of national life caused by the Wars of the Roses that led to the establishment of the strong and popular Tudor monarchy. English society in 1485 stood in most respects very nearly where it had stood a generation earlier. But in the meantime one great lesson had been learnt: that the only guarantee against feudal warfare and the upsetting of all decent and orderly ways of life was to be found in a strong central Government. That lesson was taught by the Wars of the Roses, and it was so thoroughly learnt that practically the whole nation, divided as it had been into warring factions, submitted readily to the new system. In the same way the Wars of Religion in France led to the centralised Government of Henry of Navarre and the formation of the strong

party of *Politiques*, the party of national unity.

On a smaller scale a similar movement took place in London a century or two earlier. In the fourteenth century the city was constantly distracted by quarrels between the crafts or groups of crafts : the victuallers and the manufacturers, the handicraftsmen and their merchant employers, the English merchants and the foreigners, the popular party and the Court party. But out of these contending factions there arose a single municipal party which sought to act in the common interest, even against the interests of its particular members. This united municipal party succeeded very largely in holding sway over city politics and had a great influence in national affairs.

In the Middle Ages the cities of northern Italy quarrelled and fought among themselves as modern nations have done, because their interests seemed to conflict, and they fought even more persistently and with less justification. At length many of the clearest thinkers realised that the disputes were fruitless, that they injured every party and

benefited none, but only laid Italy open to foreign invasion. There was a reaction in favour of national unity. In their own very different manners both Dante and Machiavelli cried out for an end to the internecine wars and tried to teach the Italian people that their true interests lay in association. If Italy had been as free from outside interference as France, England and Spain, her people might well have been the first to form a united nation. But as Italy was the chosen land of emperors and popes it was also the scene of their bitterest conflicts. The disruptive forces of imperial politics were too strong for the tender growth of national feeling, and the union of Italy was delayed for many centuries. It is instructive, however, to see that the unhappy experience of strife among the Italian cities resulted in a movement towards association—particularly so because the relations of the cities to one another so closely resembled the relations between modern states. It is instructive, too, to notice how Italian unity was ultimately brought about; for it was the shock of conquest by Napoleon that first stirred

up national feeling and started the movement which was brought to a climax by Mazzini, Garibaldi, and Cavour. The same cause set up similar reactions in German feeling, with a similar result.

Perhaps the best example in recent history of learning by experience is to be found in the growth of religious toleration. In the sixteenth century there were widespread secessions from the Catholic Church, and almost immediately the religious dissent became involved with political disputes. The result was an outburst of bitter hatred, war, and persecution over the whole of Europe. A century later, although European opinion in general was not very much more enlightened, and toleration was by no means complete, the storms had died down, the various sects existed peacefully side by side, and to a considerable extent the exercise of different forms of worship and church administration was allowed and recognised by the Governments. What were the reasons of this rapid progress? There were at least three main reasons, which all illustrate the point of this discussion. In the first place, as I have just

tried to show, the civil wars themselves gave a shock to public opinion. They aroused a general demand for a strong Government which should impose peace, and stimulated the already existing movement towards national unity. There was a very strong feeling, then, that the state of affairs produced by the civil wars was intolerable. And this feeling was common to all religious parties. No one sect was able to enforce its customs and beliefs universally, and every sect was injured by the opposition of the rest. Moreover, apart from religious questions, the strife and ill-will were adversely felt in every relation of life. They undermined the security both of persons and of trade; they interfered with friendship and travel and learning; they were subversive of all that was pleasant and profitable in society.

Secondly, the rulers as well as the people found religious persecution inexpedient and difficult to maintain. They were often compelled by political needs to treat as friends those whom the law condemned as enemies or rebels. So Cardinal Richelieu found himself in alliance with German Protestants

against the Catholics, and Strafford and Charles I. were forced to seek support from the Irish Catholics in opposition to Irish or English Protestants. In the Thirty Years' War the first religious issues were soon entirely confused with political and dynastic aims, and Richelieu's alliance with Protestants against the Emperor was characteristic of the whole course of events. Thus both in public and private life intolerance became difficult in practice. Political or social connexions bridged the gulf between religions; political and social divisions cut across the religious bonds. So people of different religions came to hate the fruits of intolerance more than they hated one another.

But, in the third place, the reform was not brought about by expediency alone. There were men who preached forbearance on the higher grounds of morality and reason. Statesmen like Henry IV. of France and his minister Sully, James I. of England and Oliver Cromwell—although their actions were not always as admirable as their words—honestly wished to trouble no man's conscience. Leaders of thought, such as Milton

and Locke, openly urged toleration as the only policy befitting a civilised and Christian state. Already in the seventeenth century William Penn could write: "The humble, meek, merciful, just, pious, and devout souls are everywhere of one religion; and when death has taken off the mask they will know one another, though the divers liveries they wear here have made them strangers."

Many other historical illustrations of the process of learning by experience could be given, and in all probability the present crisis will itself afford an example. There is already a strong feeling—more intense, perhaps, in other belligerent nations than in our own, and almost equally strong in neutral countries—that the time is ripe for an advance in civilisation. At the present moment among the parties concerned in the war the feeling is expressed in the wish to deprive the other side of its power of doing harm. On the one hand we and our allies are striving to put an end to German militarism and the persecution of the Slavonic races: our adversaries cry out at the same time against Russian militarism and British imperialism.

But underneath these conflicting claims there is the single desire, common to the great majority of people in all nations, that the present state of hideous chaos should never return, and that our descendants should never need to realise as we have done the full blessings of peace, because they will never have known the meaning of war as we know it.

No one can foretell the state of European opinion after the war, still less can anyone anticipate the terms of settlement. But whatever may be the strategic decision, whatever the political outcome, this crisis cannot fail to produce an immense reaction. Many people will realise that the war has been a complete disaster for every nation and a benefit to none. Many will perceive that the armed peace of Europe has been no peace, and that if we allow the present state of unrestrained rivalry to persist it must put an end to the material welfare and security on which all the higher elements of society depend. They will see, that is, that we are faced with the alternatives of international law or economic and social ruin. Everywhere

both the wise and the simple will feel the common need of security. Just as the whole of England demanded protection against feudal warfare, so will the whole of Europe demand a guarantee against the return of European warfare, and any attempt that may be made by statesmen to provide such a guarantee—in its main intention if not in details—will meet with almost universal approval. International jealousies may still frustrate the efforts of statesmen, or their efforts may be misdirected. The new machinery for the maintenance of international justice may be faulty and inefficient, and there may be a recurrence of world-wide warfare. Nevertheless the tendency of history is towards the extension of law and the spreading of peaceful relations. Each successive war will produce a stronger reaction than the last. Sooner or later, unless some cosmic disaster intervenes, the machinery of international law is bound to be established and perfected; and there is reason to hope that some step towards that end will be taken with the return of peace. If it is so, the advance will be made because men will

have learnt by experience what their reason had not enabled them to foresee.

Progress, then, need not wait until all men have grasped the true character of national interests. With most people the line of reasoning will probably be that national interests *must* not lead to warfare, because no gain that is at all likely to be achieved can possibly outweigh the evil of another plunge into the abyss. Then, with the maintenance of peace and the spread of knowledge and mutual understanding, there may come a general recognition of the fact that wars do not serve national interests—a recognition which will remove nearly all occasions of war, and will mark a complete emancipation from the mistakes of mercantilism.

Progress by Faith

But experience is not the only alternative to reason. There is another source of progress which I will describe as faith. It is a moral impulse towards an ideal—often a very definite ideal; and progress by faith differs from progress by experience because of its moral basis and because of its direction

towards an ideal. It differs, too, from progress by reason, for it is based on an intuition which may not be amenable to a reasoned explanation. An admirable account of the process is given by Professor Gilbert Murray in a study of Greek religion.* After giving an illuminating definition of faith Professor Murray says :

" I suspect that most reforms pass through this stage. A man somehow feels clear that some new course is, for him, right, though he cannot marshal the arguments convincingly in favour of it, and may even admit that the weight of evidence is on the other side. We read of judges in the seventeenth century who believed that witches ought to be burned, and that the persons before them were witches, and yet would not burn them—evidently under the influence of some vague, half-realised feelings. I know a vegetarian who thinks that, as far as he can see, carnivorous habits are not bad for human health, and actually tend to increase the happiness of the species of animal eaten . . . and yet feels

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* *The Four Stages of Greek Religion*, p. 21, *n.*

clear that for him the ordinary flesh meal would ' partake of the nature of sin.' "

Moral impulses are the strongest of all factors in the advance of civilisation. All human relations, all social and political and economic systems, depend on the moral sense of the community: legislation and organisation of all kinds must be based on existing standards of conduct, or it will fail. And as society is both founded on and limited by a moral sense its condition cannot be substantially improved unless its moral standards are raised. Education and intelligence are of great importance in reform, but moral, and above all definitely religious, motives are more important still, as every social worker knows from experience. Life in a community of ignorant but kindly persons would be tolerable, although it might be dull; but it would be better to dwell among a race of savages than among clever yet thoroughly selfish and materialistic men. We shall have to consider directly the fact that faith combined with reason is more valuable than faith standing alone. But let us first realise that many of the greatest reformers have worked

only by faith and have never been able to reduce their beliefs to a rational system. Moreover, I believe that in the chief and most difficult problem of the present day—the improvement of international relations—we must look to faith for a large part of the solution; for any change that is to be permanent must be based on a sense of association between different peoples, and in the development of this sense faith may have a predominant share.

Progress by Reason

Faith, then, like experience, is a factor of fundamental importance in the progress of society, and a guide in tracts unexplored by reason. But my object in making this digression has been to show that we may expect all three—experience, faith and reason—to operate in the reforms that lie before us. And I wish particularly to urge that, although we need not rest our hope in reason alone, the exercise of reason is still a constant need. Progress by experience is slow, uncertain, and expensive. The present generation knows too well what expense it may involve in

material goods, in suffering, and the loss of all the fruits of civilisation. Faith also—"an insecure but a precious possession"—unless it is guided and informed by reason is very apt to fall into error. And if many reforms have been initiated by men who were chiefly inspired by faith, many others have miscarried or have been delayed for lack of a logical statement, since only those who had the right kind of intuition could be brought into sympathy with the reformer. If reason operates as well the progress will be safer, more rapid, and more likely to be permanent. For reason does not exclude the other two factors: it is complementary to them. Experience may supply an impulse, a desire for reform; faith may supply both a motive and an ideal; reason will serve to strengthen the impulse and clarify the ideal; in addition it will provide a method and will present the whole scheme of progress in an intelligible form; and in so far as men are guided by reason the advance will take place steadily and without catastrophe.

In the next few years—possibly for very many years—there will be a wide scope for

the application of reason to international problems. The war will set moving in all countries an immensely strong desire for the reform of international relations. But unless it is directed aright it will only be that blind desire to escape from evil which we have seen at work in the past; the lessons of the war will be only half learnt and fresh lessons must be taught by fresh disasters. Faith, as well, proclaims, and has long been proclaiming, a broader outlook and a higher standard of conduct. There will always be an element in faith which cannot be compressed into a logical proposition; but those who have relied on faith alone would greatly increase their usefulness and influence if they turned to reason for the confirmation, or perhaps the correction, of their views.

We have seen that the increase of religious toleration was due in part to the influence of advanced thinkers—that is, to reason; and that lessons have often been learnt from disaster because in the interval between two similar catastrophes society has advanced in certain respects, so that an evil which seemed inevitable to one generation has

seemed intolerable to the next, and the changed attitude of mind has led to the discovery of a remedy. In such a case the gradual progress and the actual discovery of a way of escape must be in a large measure due to reason. And so it will be in the future: if the other factors are to have their full effect, if the lessons of the war are to be of permanent value, reason must be the basis of opinion and the guide of policy.

Certainly in the past generation a great deal of thought has been given to international affairs, and it is quite possible that if the present crisis had been passed in peace progress might have been rapid and men might have learnt by reason what they are now learning by experience. But now that the disaster has come and the minds of all men are centred upon it, and the desires of all men are for the firm establishment of law among nations, it is for reason to discover and to make known the principles on which a happier system may be based and the methods by which it may be maintained. It is the duty of all who have the power of clear thought and balanced judgment to

develop in themselves and to implant in the minds of others a healthier growth of knowledge, so that future generations may have a reward more sweet and wholesome than the bitter vintage which we have gathered.

The Basis of International Law

Before we leave this subject we ought to consider a difficulty which might seem, if it remained unanswered, to vitiate our idea of progress by experience. The difficulty may be stated in this way:—It is true that the present generation has learnt what dangers are involved in the existing system of international relations, and has felt very deeply the need for greater security. And it may be that the reaction caused by the war will be strong enough to preserve the peace of Europe for a generation or even fifty years. But by that time the lesson will have been forgotten. The mass of mankind, whose ideas constitute public opinion, the leaders of thought who inform opinion, and the statesmen who endeavour to interpret it, will all have grown up in time of peace. War will not be as real to them as

it is to us ; they will not know by experience what widespread calamity it involves. Therefore they will not greatly fear it and will not take particular care to avoid it. Western Europe in our own day had not known an outbreak of war for more than forty years, and the inhabitants had grown careless. In another forty years' time will there not be a similar heedlessness, and will not the result be the same ?

In order to answer this question let us first consider what will probably be the effects of the war on public opinion, and then we may judge how far those effects are likely to be permanent. We will assume that the settlement at the end of the war is fairly satisfactory, that is, that the terms of peace are not such as will of themselves provoke another war. Then events may take any one of the following lines :

(i.) European society may be less deeply affected by the catastrophe than we believe it to be. In that case there may not be any great change of outlook on international affairs or any general demand for a guarantee against the

return of the evil; and the evil may soon return.

(ii.) Although there may not be any rapid change of opinion, if by good fortune there is peace in Europe for the next forty or fifty years, moral and intellectual forces ("faith" and "reason") may have time to achieve some definite result. They may gradually alter public opinion until there is a strong demand for an effective system of international law; and the new machinery that will be set up to meet this demand may prevent any further breakdown of international relations. Even if European society is less fortunate, and there is another upheaval, but if it occurs after a long interval so that civilisation has been able to advance and international ties of sentiment have been drawn closer, then the shock to society will be greater than before, and there will be more likelihood of a definite change as a result of the reaction.

(iii.) After the present war there may be an immediate and very strong desire

for reform; and a great advance in international relations may be made at once.

(iv.) Perhaps the most likely result of the war is a considerable but not overwhelming reaction, a moderate change of mind which will sanction some moderate advance in organisation, and will prepare the way for further reforms. There may be, for example, an attempt to form a real Concert of Europe, but it may not be supported by any elaborate machinery for enforcing international law, or by any permanent European council.

Which of these possible courses, or what variant of them, will actually be followed will depend on the state of feeling in Europe after the war, a condition which we cannot yet foretell. But there is every reason to believe that some definite advance will be made. No war, indeed, that has yet been fought has produced either a general desire for the spread of international law, or an effective demand for a lasting peace. Yet there have been many signs in recent years of a rapid change of outlook on international

affairs; and as this war has been so much vaster, so much more violent and devastating, than any previous encounter, it will be altogether surprising if the reaction is not of corresponding force and extent. The question remains whether the reaction will be permanent, or whether it will gradually die down, leaving international feeling very much as it was before the war.

The answer to this question is simple:— If there has been any real change of mind, a new tradition will be established. The present generation has been taught a certain set of political ideas which have been handed down from the days of mercantilism. We have held these ideas because we grew up in a world in which they were believed, and nothing had occurred before the present war to shake the belief in our minds. We supported a system of international relations based on the same ideas. But now we have seen with our own eyes the evils of that system, and the least observant of men must be conscious of its dangers. Therefore we are unlearning our lessons: we are acquiring a new outlook. The ideas which

we have learnt by experience will be taught as axioms to the next generation, and a new tradition will have been established. Such is the process by which a new outlook may be effected and secured. It was by such means that feudal divisions were ended and national governments set up with the support of national feeling. It was by such means that religious toleration was brought about. The change was permanent in these cases; and we may expect to witness a change in international relations which shall be permanent too.

But in all probability the new tradition will not be left to stand alone. If it is to achieve anything definite and tangible it must be accompanied by a firmer organisation of international law. And fortunately such a strengthening of international law is very likely to result from the new outlook. For changes in public opinion nearly always carry with them some change in the system of government. In the last century, for example, the individualist tradition led to the repeal of many restrictive laws, and gave a democratic turn to the Constitution; and

the reaction towards collectivism has given us a paternal government, fortified with a great deal of social legislation. Or, to return to the formation of modern States—which is the nearest analogy to our own case at the present time—we have seen that the reaction against feudal divisions and in favour of national unity was not left unsupported. It led directly to the establishment of a central authority and an effective national system of law. In the same way we may expect that the new national tradition will find expression in a system of international law which might itself serve to fix and confirm the tradition.

We might, indeed, have put our question in this form :—After the war there will probably be some attempt to strengthen international law, and a very general desire that it should be observed. But what guarantee is there that the law will be permanently maintained ? Will not governments continue to break the law whenever it seems to conflict with their interests ? And our answer, adapted to this question, would be :—The new tradition will be the guarantee of inter-

national law and international law will be the guarantee of the new tradition.

The strength both of law and tradition will depend, of course, on the degrees of civilisation which we have reached. It will depend on the extent to which reason, moral sense, or simple experience have spread the conviction that it is *worth while* to observe the law. If the great majority of civilised races are willing to be subject to a common authority, then any nation which proves refractory can be compelled, by the agreement of the rest, to fall into line and submit to the sovereignty of law. This is the principle on which all law is founded. For unless the law-breakers were few and the loyal subjects many, no law could exist. The force of law is derived from the general agreement to observe it.

This principle has long been admitted, but it was never fully understood until the eighteenth century, when Montesquieu gave it a new and elaborate treatment in the greatest of his works. He saw for the first time that the law was not simply a rigid system of commands, but that it underwent a growth ; for as it was based on the consent

of society, and society itself was continually developing and progressing, so there must be a progress and development of the law as well. And the consent of society, the public opinion in which all law is founded, he named the Spirit of the Laws. Montesquieu was thinking chiefly of the law in a single State, but his principle is equally true of law among nations. It is the Spirit of the Laws in civilised nations which will determine, by its strength or weakness, whether they are to become a society, obeying a central authority, a society in which every member is free to develop because it is safe from any interference but that of the law; or whether the nations are still to be divided into contending factions, and to sacrifice their common welfare to a baseless jealousy. And just as the law within a State will grow and improve as society advances, so will international law, when once it is firmly established, gain in strength and fullness with every increase in the Spirit of the Laws.

Our hope is, then, that experience, reason, and a moral sense, acting together, will serve to establish a new outlook in international

affairs, and that sooner or later the changed outlook will result in an increasing allegiance to international law, and the appearance of a system and organisation, based on that allegiance, which will furnish the law with a definite force and sanction.

And let us notice that although experience rather than reason may give the first impulse towards reform, when once the law is established it will meet with success in proportion as those who frame and administer it are guided by reason. And the work of statesmen will be easier and more efficient the more fully they are supported by an enlightened public opinion.

The Extension of Law and Association

The philosopher Hobbes, in his attempt to explain the existence of law and government, conceived of mankind before any government was known on earth as living in a state of perpetual war—a race of Ishmaels, whose only law was the law of nature which impelled every man to seek his own preservation. This "state of nature" was extremely uncomfortable and perilous for

everybody, for no man was so strong that he could protect himself against the rest of the world, and even the weakest of men with the help of a javelin or a flint arrow-head could scotch or kill his neighbour. At length this hazardous and brutish manner of life became unendurable, and men took counsel together to find a better way. They agreed to set up a central, sovereign authority, and to this sovereign they committed their own individual rights and interests, receiving in return the liberty and security and peace of mind which good government affords. In this way society and law were established.

Neither Hobbes nor any one else in his day had any thought of inquiring into the actual origin of society among primitive men, and his account is entirely unhistorical. Nevertheless it was a brilliant effort of imagination, for it is in a sense a parable of the whole of history. It represents as a single incident a process which in fact has been spread over countless generations, and it attributes to untutored savages an amount of intelligence and judgment which would do credit to any modern parliament. But

the process is the same: experience has taught the need, and reason has shown the remedy; and a moral sense (which Hobbes excluded) has hastened the process and confirmed the remedy. From the hunting pack, through the tribe and the clan, through feudal communities to the modern nation and empire, men have been gradually drawn onwards, to set up more complex forms of society, to obey higher authorities, and to extend peaceful relations and the rule of law to wider and wider areas. And always the process has been such as Hobbes describes. Now at length we seem to be on the brink of a still further advance, and again, in all probability, the change will follow Hobbes's formula. The nations of the world have lived in a state of nature one towards another —a state of exclusiveness, jealousy, and frequent hostility. That state has proved to be unprofitable and dangerous; and the remedy will be found in the establishment of law and a central authority to wield the law. This parable of Hobbes's, then, is in many respects a summary of our findings in regard to the progress of government, and

if we bear it in mind in the present catastrophe it may help us to retain a right perspective and to see clearly through the evil days to the developments that lie beyond.

In the latter part of this essay I have dwelt on the progress of political institutions, and our conclusions on this subject lead us back to the idea which is expressed in the beginning of the essay, that although history has its dark and negative side it is in the main a record of progress. And we now see that from their very mistakes, and the bitter experience which the mistakes involve, men are led to discover a higher ideal and the means of working towards it. Moreover, political progress is only one aspect of a many-sided development. In the last century particularly there has been a rapid advance in material civilisation and scientific thought, and in the sense of association, which is revealed in the growth of public spirit and an interest in the welfare of the whole community. And if we are disposed to feel, as we easily may in the present crisis, that international relations have not kept pace with the rest of civilisation, let us

remember that the nations of modern Europe were more than a thousand years in growing, that our own country only escaped from the worst evils of feudalism four centuries ago, and that several of the nations of Europe only achieved their unity within the last century. Let us remember, too, that the first effort* towards a system of international law was made by Grotius—in his work on *The Law of War and Peace*—in 1625, and that the word "international" was invented by Jeremy Bentham not much more than a hundred years ago. These considerations may help us to see that the advance of international association has really been rapid, and it may give us some hope that the advance will not be very greatly delayed by the war.

It is impossible, of course, to tell how much

* Sully's *Great Design* for the fusion of the whole of Europe into fifteen allied States was formed a few years earlier and published a few years later. But perhaps we ought not to regard it quite as a scheme of international government, but rather as a plan for the revival of the Holy Roman Empire on a federal basis. It is significant, however, that works such as those of Sully and Grotius should follow so quickly the first appearance of national societies in Europe.

injury the war has done to civilisation in general. But for my own part I believe that the strength of civilisation in other respects will serve to cover its weakness in this particular. I believe that the contrast between our normal manner of life and the present lapse into barbarism will be so keenly felt that there will be an insistent demand for some safeguard against such lapses in the future.

But, to return for a moment to the main point of our discussion, although this demand may result in the strengthening of international law and the establishment of a new tradition, it may not provide them at once with a secure foundation. There will still be a danger that international jealousies may overwhelm and break down the new system. And these jealousies, as we have seen, are very largely based on economic errors, the legacy of mercantilism. Therefore until civilised nations have escaped from the mercantilist tradition their peace will always be in some degree of peril. But the desire for peace will itself weaken the mercantilist tradition and will enable a sounder

knowledge of economic relations to grow with speed.

The escape from the fetters of mercantilism will mark an immense advance in civilisation, for it will react, not only on international law and politics, but on every side of life. The art, music, literature, philosophy, and science of all nations have long been recognised as the common heritage of mankind. When the barriers of political and economic misunderstanding which still divide nation from nation are broken down the unity of civilisation will be complete. Each nation will be free to develop according to its own genius and traditions; and both governments and individuals will be able to devote their efforts to the great constructive problem which lies before them—the problem of promoting the health, security and freedom of society, increasing its solidarity, and raising its moral and intellectual standards. Such is the true work of civilisation, and we can only pursue it with full vigour when international jealousy is replaced by tolerance and association.

Note to Chapter VII

In an article in the *Hibbert Journal* for January, 1915, Mr. F. S. Marvin develops the idea of the unity of civilisation and applies it to the present crisis. Mr. Marvin has worked out the same idea in his book, *The Living Past*, in which he has tried, with conspicuous success, to represent European History not simply as a record of political development, but as the history of western civilisation. Several of the questions discussed in this chapter receive further treatment in Professor L. T. Hobhouse's recent work, *The World in Conflict*, and in an article by Professor R. M. McIver, on *The Foundations of Nationality* which appeared in the *Sociological Review* for July, 1915.

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